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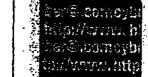
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Fine Land

Att ... Marrie Di ...

Branch Street St

Samuel Brittan, Page 12



The Internet

Who allocates



FINANCIAL TIMES

Anatomy of a miracle



Wallflower waits to join the party

World Business Newspaper http://www.FT.com

car³ for Europe

likely to start production at a European plant in 2001, said Hiroshi Okuda, president of Japan's largest car maker. A decision to go ahead with the venture will be taken around mid-1998 with a number of possible European factory options including a third phase of expansion at Toyota's Burnaston plant in the UK - still under consideration. Mr Okuda refused to indicate a preferred location to build the car, which would be produced at an annual rate of up to 200,000 a

Technology is top concern: Directors of multinationals based in Europe's biggest trad-ing nations view technological change as a greater challenge to their businesses in the next millennium than the introduction of a single currency, according to accountants Deloitte Touche Tohmatsu. Page 2

Clabecq workers such reacue plan: Workers at Forges de Clabecq, the bankrupt Belgian steelworks, have rejected a plan which might have allowed part of the business to be sold to a foreign buyer. Page 3

Japan act for stock options: Japan's parliament is poised to pass legislation permitfor the first time, after a key committee threw its support behind the scheme. Page 14

UK output drops: Manufacturing output in the UK dropped unexpectedly in March, confirming that sterling's strength is eating away at the recovery in industry. Page 9

Trade 'prolonged world war two':



Switzerland and other neutrals boosted Nazi Germany by trading with it and accepting looted gold, says a US report. That "bad the clear effect of supporting and prolonging Nazi Germany's capacity to wage war," said report coordinator Stuart Eizenstat (left).

France and Germany divided over ECB: France and Germany are locked in a dispute over whether the planned European Central Bank or national central banks should have the power to conduct foreign exchange and some money market operations after the scheduled start of European economic and monetary union

President Jacques Chirac intervened in France's increasingly close parliamentary election campaign with an attack on the spending and taxing policies of the left and an appeal to voters to back him and his centre-right government.

allow large state-owned enterprises to issue bonds on international markets in a move to help finance the reform of state sector com-

Weizman and Arafat discuss security: President Ezer Weizman of Israel and Palestinian leader Yassir Arafat have made the first tentative steps towards renewing security co-operation, suspended in March. Page 6

Delgety to cut dividend: Dalgety, the UK petfood and agribusiness group, is to cut its dividend by a third after warning that second-half profits would fail to match the \$70m

economic official met the chairman of Jardine Matheson in Beijing's leadership compound, signalling a warming of relations with the Britishbacked Hong Kong conglomerate. Page 15

wage costs as it posted its first ever first-quarter profit despite a 37 per cent surge in fuel prices.

vision of Russia's role in the world in the 21st century. Page 3

FT.com: the FT web site provides online news,

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O THE FINANCIAL TIMES LIMITED 1997 No 33,285

names?

Imperial Chemical Industries

trial chemicals businesses.

By John Kamofner

European Union.

and Peter Norman in Bonn

Mr Robin Cook yesterday

pledged to draw a line under

the "sterile, negative and fruit-

less conflict" between the UK

and its neighbours, vowing

that Britain would join Ger-

many and France in a "trian-

gular" leading role in the

The British foreign secre-

tary, in a whirlwind trip to

Paris and Bonn, said it was

reach agreement on EU

reforms at next month's inter-

ship, Mr Cook agreed with Mr

Europe, not two," he said.

tional ban on land mines.

and Paris was warm, with his

concealed relief at the change

However, Mr Cook insisted

over its borders, and asylum

It would also reject moves to

give the EU overall compe-

telephone markets moved

nearer yesterday as federal

regulators revealed the final

part of their plan for breaking

down barriers separating local

dicted the changes would save

It will be months before final

ment of three new commis-

and long-distance carriers.

rest to businesses.

remained.

and immigration policy.



South Africa



Swire Pacific

Toyota plans 'new ICI in £4.9bn chemicals buy GEC, BAe kind of small

Toyota is developing "a completely new kind of small car for the European market" which is

ting companies to offer employees stock options



in 1999. Page 2

China considers bond issues: China may

of the first six months. Page 15; Lex, Page 14 **Belling warms to Jardine:** China's top

Lufthansa quarterly profit: Lufthansa presented evidence of success in its drive to cut

Russia's new millennium: The Kremlin approved a grand security plan laying out a

comment and analysis at http	://www.FT.com
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Commodifies FTSE Actuates _____30 FT/SP-A Witi Indices......34 Landon SE ___ Foreign Exchanges23

CONTENTS International _____ 16-18,20 Int. Bond Service _____ 22

LONDOR - LEEDS - PARIS - FRANKFRET - STOCKHOLM - MARKO - MEM YORK - LOS ANGLES - YAKYO - ROKG KONG

Unilever deal marks 'transformation'

is to buy Unilever's speciality chemicals division for \$4.9bn. ICI's purchase from Uniand sell £3bn of its own indusnegotiations, will be underpin-The combined deals, some of ned by an ambitious financial

France and Germany are

locked in a dispute over

whether the planned Euro-pean Central Bank or national

central banks should have the

power to conduct foreign

exchange and money market

operations after the scheduled

start of European economic

and monetary union in

tence for defence policy, an

Britain would also insist on

Policy. But he backed away

The French minister for

EU - the Council, the Commis-

Mr Cook said the aim was to

for enlargement into central

Britain would retain control the two main priorities of the terpart Klaus Kinkel in Boun

US regulators reveal last

part of telecoms shake-up

tant at Deloitte & Touche.

Yesterday's changes were

the second of two phases

touched off by the US Telecom-

munications Act. This was

meant to allow full competi-

local companies, or Baby Bells,

The FCC said the charges

paid by long-distance compa-

broad terms yesterday, are in pleted on the local networks ing higher telephone charges.

The FCC also adopted a levy

required to set up by the Act.

Editorial Comment, Page 13 issues.

rates, said Mr William Gaik, a Internet.

and eastern Europe and to UK foreign secretary Robin

complete the single market - Cook (left) with German coun-

to which telephone use was schools, libraries and rural

stimulated by a change in hospitals are hooked up to the

Continued on Page 14 saw no merits in obstruction

Reports, Page 2 for its own sake on European

yesterday. Mr Cook said he

Mr Tim Price, president of

MCI, the second largest

long-distance company, called

the changes the "first step

towards eliminating the bil-

lions of dollars of unjustified

overcharges by the local

monopoly phone companies".

MCI would continue to fight to

have the remaining access

The plan drew greater criti-

cism from local carriers - the

Criticism also came from small

businesses, among those fac-

The first phase of the FCC's

plan - a framework for the

terms on which rival local and

long-distance companies were required to connect their net-

- was successfully challenged

by the Bell companies who are

awaiting the outcome of an

Ringing the changes, Page 4

charges removed.

most directly affected.

Report, Page 2

which have yet to be finalised, package. amounted to "a complete The group is to borrow \$8bn, transformation" of ICI, said Sir at an interest rate locked in The group is to borrow \$8bn, Ronald Hampel, chairman. Much of the new ICI will be through hedging arrangements at below 7.5 per cent. Together with a £3.5hn goodwill writemade up of Unilever busioff, this will take ICT's gearing nesses under a new name. - its debt to equity ratio - to Unilever will emerge with a

£3bn cash pile, with which to more than 1,000 per cent. ICI said such a financial accelerate its drive into develstretch was justified by the oping markets. It plans acquisitions in both its foods and enhanced growth prospects and profitability promised by personal products businesses, to lift the share of its sales in the deal. This view appeared to developing markets from 30 be supported by analysts and per cent to 50 per cent within a shareholders, with the shares closing up 43p at 7571/sp.

Cook pledges

end to battles

Britain's "firm intention" to area he said should remain

governmental conference in concrete measures to address

Amsterdam. "We want there to the quota-hopping issue dis-

be three main players in rupting the Common Fisheries

In a demonstration of what from suggestions that the UK

the Labour government hopes would allow agreement at

Hervé de Charette, the French Europe, Mr Michel Barnier,

foreign minister, and Mr Klaus will visit London next month

Kinkel, his German opposite to work out a common Franco-

number, to co-ordinate moves British approach to reforming

to secure an early interna- the three institutions of the

counterparts showing ill- give "a flying start" to plans

A historic overhaul of US telecommunications consul-

Officials at the Federal Com- tion between long-distance car-

munications Commission pre-riers, such as AT&T, and the

US telephone users \$25bn over which have had a monopoly on

the next six years - \$14.5bn to carrying calls in their geo-

details of the plan, outlined in nies to have their calls com-

place. Also, telecoms industry would be cut by \$1.76m in the

executives and analysts said next 12 months. These charges

that the likelihood of legal are estimated to amount to

sioners to the regulatory body on some phone users to promeant considerable uncer- vide the money for a so-called

tainty over the outcome "universal service" fund it was

Some observers questioned This will be used to subsidise

the extent of the savings. Any low-income telephone customprojections depended on ers, while providing the money assumptions about the extent to ensure all of the country's

challenges and the appoint- more than \$20hn a year.

residential customers, and the graphical regions.

Mr Cook's reception in Bonn sion and parliament.

will be a tripartite relation. Amsterdam to be scuppered.

under Nato.

with Europe

Unilever's four businesses lever, following two weeks of have all sustained operating Procter & Gamble, a big buyer margins of above 20 per cent, compared with ICI's firstquarter margin of less than 4

The largest of the four is National Starch, a manufacturer of industrial adhesives as well as starches. The three others are Quest, which makes food flavours and fragrances; Unichema, making chemicals from natural fats; and Crosfield, which specialises in

detergent ingredients. Their combined sales last vear amounted to £2.93bn. compared with £10.5bn for ICL As part of Unilever, National Starch, for example, was

of glues and starches, because the US group was Unilever's competitor. As part of ICI, aggressive expansion was planned in this area, said Mr Charles Miller Smith, ICI's

chief executive. Before joining ICL, Mr Miller Smith spent 30 years at Unilever, where he headed Quest, worked within National Starch and spent several years at the chemicals division.

ICI first approached Unilever with an offer last year. Two weeks ago it submitted a higher bid, aided by its ability to deliver a deal rapidly. It has simultaneously been

borrowings. It is to float its 62.4 per cent stake in ICI Australia, which at yesterday's closing price would be worth about £1.1bn.

through the sale of its Tioxide subsidiary, which makes the pigment for paints and plastics. In February it had announced the planned flota-tion of this business but has since opened talks with a competitor.

Other businesses that it will be selling, or reducing its interest in, include polyester, fertilisers and chlorine. The group hopes to get out of explosives through an asset swap with its Australian subsidiary.

Details, Page 21; Lex, Page 14; Cultural exchange, Page 13

intervene in Thomson auction Another £700m will come

By Bernard Gray in London, David Buchan in Paris and Graham Bowley in Frankfurt

General Electric Company, British Aerospace and Daimler-Benz Aerospace (Dasa) yesterday pitched into the auction for Thomson-CSF, the French state-controlled defence electronics company.

Their intervention came as the two main contenders, Alcatel and the Lagardère group of France, submitted their final bids to the French government. The foreign companies stepped in to support the French bids because they view the fate of Thomson as crucial to the restructuring of the European defence electronics sector.

Within minutes of the midday deadline for bids to be lodged in Paris, GEC announced it had agreed with Alcatel and Lagardère to negotiate with whoever wins on links between GEC-Marconi, its defence subsidiary, and Thomson-CSF.

Daimler-Benz Aerospace said it was pooling its defence electronics interests with the Lagardère camp. Dasa also offered encouragement to the Lagardère team in its bid for Thomson, but stopped short of backing it financially.

Dasa said it was throwing its "total and unconditional support" behind Lagardère's bid for Thomson-CSF. Dasa's space business will be pooled with Matra Marconi Space, a joint venture between Lagardère and GEC-Marconi, while 30 per cent of its missile business LFK will be linked to Matra BAe Dynamics, the Lagardère-BAe missiles joint

BAe said that if the Lagardère bid was successful, in addition to pooling Thomson's missile business with Matra BAe Dynamics, Thomson and BAe's naval electronics businesses would also be comhined. BAe will also back Lagardère's bid with £300m (\$490m), of which £135m will

> Continued on Page 14 Airbus profits fall, Page 17

It's a Cinven fact

Our lead as the number one private equity deal leader in the 1990's has ncreased.

(Acquisitions Monthly 1996 statistics)

Cinven Leading the way

Cinven Limited is regulated by IMRO

Not quite triangular, but less edgy

beyond the needs of protocol, but the impress. As the first country to pay host to Mr Robin Cook, foreign secretary of a new and more communautaire British government, the Quai d'Orsay produced the Republican Guard.

Mr Cook's first outing since the transfer of power was labelled a working visit. But the French despatch of 14 soldiers, resplendent in their kepis in the pouring rain, was designed to send a signal that this was "something special".

Mr Cook, and his deputy. Mr Douglas Henderson, tried to hide their smiles. So did the civil servants on both sides, who until last week were more used to dealing with the traditional British refrain of hostility to further European Union integration. Those same aides in the foreign office who had spent the last decade and more preparing and explaining the "no, no, no" message quickly learned new lines, as if acting in the premiere of a new

They too saw the irony in I'm in the business of negotitheir endeavours. Within a ating a deal, but construcfew weeks, it will all become tive negotiation produces an familiar territory. Even the environment which will get that deal." atmosphere within the department, they remarked, was changing. "We've been much of the obduracy of the told to be more informal and former covernment was counter-productive. He cited open, so give us points for trying at least," said one the example of the UK insist-

dviser. ing on veto rights over an On the flight over, Mr EU-wide anti-fraud initiative. Cook eschewed his seat in a separate compartment to breakfast with journalists, to explain his mission ahead of single market," Mr Cook the Amsterdam intergovern- said. "Weird, totally weird". mental conference in a month, which is set to complete negotiations on EU

The trouble with the Conservative position is that bership of European monethey said 'no' so often that tary union at its start in 1999 in areas such as environ-

European partners welcome UK pledge to ditch its 'bad boy' image The new Labour government in Britain says the UK is no longer the

bad boy in Europe, a sudden shift toward sweetness and reason which has taken many continentals by surprise, writes Lionel Barber in Brussels.

In Brussels, a notoriously Anglophobic French journalist declares he intends to take a holiday in England this summer. A Spanish colleague predicts that Sr Blair's landslide election victory could spell a revival for Mr Felipe González's Socialist party. But the biggest impact is on the EU's inter-governmental conference. Where the Conservatives were dour and dogmatic, Labour proclaims it

is ready to strike a deal. The switch began with the declaration on Monday that Britain will sign the Social Chapter, ending more than five years of isolation on EU social policy. Mr Doug Henderson, the new European affairs minister, also announced a

people lost track with which

were the essential 'noes' and

which were simply 'noes',"

he said. "I'm not in the busi-

ness of creating goodwill.

Mr Cook is convinced that

"They resisted this on

bizarre ideological grounds

that it was damaging to the

When it comes down to

the substance, what differ-

ence will Mr Tony Blair's

premiership make at the IGC

and beyond? British mem-

readiness to support a limited extension of majority voting. Labour's advent has exposed other countries which have been happy to hide behind the Tories in the IGC talks. The Scandinavians

probably feel most uncomfortable; they have to sell the Maastricht II treaty to a sceptical public in a referendum. The Danes are nervous about any extension of EU-wide powers or moves toward more supranational decision-making. They oppose the

European Commission being given extra powers in matters of immigration. Nor do they want the European Parliament strengthened at the expense of national parliaments The Swedes are conscious that

voters only approved EU embership in 1994 by a narrow majority. Sweden supports limited changes necessary to support enlargement to central Europe, but would be much happier with the

change there, but Mr Cook votes in the European Coun-

asylum and immigration for an overall cut in commis-

cil in favour of larger states

such as the UK when the EU

takes in former communist

countries, probably in return

Mr Cook works from the

assumption that Britain can.

and should, sign the IGC

treaty. Demands for a revi-

sion to fisheries policy to cut

down on quota-hopping

remain, but talk of scupper-

ing agreement has been

replaced by a call for a "com-

mitment to deal construc-

lift the ban on British beef is

deemed a longer term prob-

lem that ministers say is the

constructive engagement by

The new tone went down

the former administration.

The row over the failure to

tively with the issue".

insists this will not detract

On border controls and

procedure, the Labour gov-

ernment is adamant it wants

Britain's particular status as

an island to be enshrined in

the Amsterdam treaty. Mr

Cook and Mr Blair appear to

be knocking at an open door

there, although some of the

detail remains to be settled.

is prepared to make consid-

erable compromises - opting

back in on the social chap-

ter, as already announced;

signing the employment

chapter that stipulates basic

working rights; a common

front on tackling fraud;

granting the European par-

liament more powers; allow-

On other aspects, Britain

from a warmer general rela-

tionship.

status quo. "The EU is not the club they thought they joined," says an IGC negotiator.

The Finns do not like Franco-German proposals for a phased merger of the EU and the Western European Union. Like fellow neutrals Austria, Sweden and Ireland, they oppose the EU becoming into an instrument for collective security. Labour, like its Conservative predecessor, agrees.

By abandoning categorical positions, for example on majority voting, the new British government has shifted the spotlight on to other divisive issues. Most important is the balance of power between small and large member states.

The Finns, Luxembourgers, Dutch and Irish have threatened to block the IGC unless they retain their right to an EU commissioner. The French position in favour of streamlining the 20-member European Commission is just as bardline, for the moment.

diplomatic.

ist leader, a lesson in gather-

ing votes. He was only being

Over a "large but unstuffy" lunch at the Quai,

Mr Cook outlined his new

project to Mr Hervé de Char-

ette, his French counterpart,

who spoke afterwards of a

"new relationship of friend-

ship". The two announced a

deal on landmines, to be

ioined later by the Germans

a gesture of a new tripar-

tite arrangement Mr Cook is

On to Bonn, via a cream

tea courtesy of the RAF, and

come from Mr Klaus Kinkel,

the German foreign minis-

seeking to build.

best example of a lack of a warm but less effusive wel-

On flexibility (allowing some countries to forge ahead with co-operation without being held back by others) the Italians and Spanish want watertight rules to prevent France and Germany creating their own "paradise" built around membership of the planned single currency zone. Britain, of course, has its own demands. It is insisting on a written treaty

commitment that it will retain control over its own borders. But its willingness to be open-minded on other matters means it can be partner rather than pariah. A sentor Commission official

sums up the shift in mood in Brussels. "Tony Blair has one enormous advantage which is the goodwill factor. Europeans are positively begging Britain to play a bigger role in the EU." But he cautions: "You need more than a positive tone. Being at the heart of Europe implies certain behaviour and actions. We shall see."

is all but ruled out. No ment, and a re-weighting of headquarters, in the midst of made it to Bonn first. That their own election campaign. leg was left to the afternoon Mr Cook said it would have because Mr Kinkel happened been "presumptuous" to give Mr Lionel Jospin, the Socialto be holding talks in

Egypt In the spirit of "fairness" he praised the engagement of Mr Michael (sic) Rifkind, the outgoing UK foreign secretary, describing relations with Britain until now as vital, although "unspectacular and sober".

As if to demonstrate a new closeness he and Mr Cook went off for some asparagus (very much in season) and the best Auslese that the Rhineland can offer. Did this, Mr Kinkel was asked, suggest the Franco-German axis was to be broadened to include the British? "All these countries must play a

leading role," he replied, "but we shouldn't speak of ter. Mr Kinkel suggested triangles." Game, set, but that Mr Cook would, in nor-not guite match. stop was the Socialist party mal circumstances, have Editorial Comment, Page 13

EUROPEAN NEWS DIGEST

BA lobbies in airport row

British Airways said yesterday it would be lobbying the British and French governments to try to resolve a dispute over Air Algérie's operation at Charles de Gaulle airport in Parts. BA, whose check in desk is next to Air Algérie's, claims security for the Algerian carrier's desk is nsufficient to ensure the safety of passengers.

A BA spokesman said a French court had decided yesterday to pass the case on to a panel of three judges, and the airline did not expect it to be heard for several weeks. "This case was brought on behalf of all the airlines operating into Charles de Gaulle and we have the full upport of the British government," he said.

BA has moved its check-in facilities out of Charles de Gaulle and has been processing some passengers at a nearby hotel. The airline said it had had to put "hundreds" of others on flights with other Michael Peel, London companies.

Poles schedule oil sector sales

Nafta Polska, the state-owned holding company which controls Poland's off refineries and half of the country's petrol stations, is to start selling some of its assets at the eginning of next year.

initially it will sell 20-30 per cent stakes in each of the two large refineries at Plock and Gdansk, together with the petrol distribution network. A privatisation adviser for the sale has yet to be appointed but NP is confident one will be in place by next month.

According to Nafta Polska, 13 foreign companies have expressed initial interest. These are Agip Petroli, BP, Conoco, Elf, Exxon, Koch Industries International, Lukoil, Maroil, Neste, Royal Dutch Shell, Statoil, Texaco and Christopher Bobinski, Warsau

Technology is top concern

Directors of multinationals based in Europe's biggest trading nations view technological change as a greater challenge to their business in the next millennium than the introduction of a single currency, according to a survey by the accounting firm Deloitte Touche Tohmatsu

While 30 per cent considered monetary union a significant factor and the same proportion identified recruitment of skilled staff as a prime concern, 53 per cent regarded developments such as the Internet as key to their competitiveness. Opinion Research Business interviewed 120 executives from the top 1,000 companies in Britain, France, Germany and the Netherlands.

The findings were announced in Amsterdam yesterday as Deloitte's European partners convened for their annual meeting. Mr Jacques Manardo, chairman of the company in Europe, said that although businesses "underestimate the impact of the single currency at their peril," those successful in the long term would "adapt to new ways of working, embracing new technologies in a global environment". Gordon Cramb, Amsterdam The next millennium: the challenges for business.

Deloitte Touche Tohmatsu International. Available free from Oriana Pound, telephone +44171 303 5055; fax

Italian warning on Albania

Italy said yesterday the multinational security force it is leading in Albania should pull out if elections do not go ahead as planned next month.

Mr Beniamino Andreatta, the defence minister, told parliament the mission was linked to a deal struck by parties in Tirana two months ago which installed an mergency government and agreed to hold early elections by the end of June. "If this agreement fails, both the United Nations and the governments involved...should look again at the reasons for the mission and proceed with its withdrawal," he said.

His comments, the first indication that the force could be pulled out early, came as the European mediator. Mr Franz Vranitzky, flew to Tirana for two days of talks to unblock an impasse over electoral procedure. Albania's parliament only has until May 15 to agree on

an electoral procedure if the vote is to take place on June 29. Parliament must be dissolved for 45 days before an Reuter, Rome

Czechs favour Boeing group

A consortium comprising Boeing and McDonnell Douglas, the US aerospace groups, and CSA Czech Airlines, has emerged as the front-runner to take a stake of 34-40 per cent in Aero Vodochody, the troubled Czech state-owned aircraft maker. Mr Vaclav Klaus, the country's prime minister, announced exclusive negotiations with the consortium following the public tender, launched earlier this year, which called for an injection of at least Kc950m (\$30m) in new equity capital.

Vodochody, which has a workforce of around 2,300, made a loss of Kc318.5m in 1995 on a turnover of Kc2.97bn. It is developing a new generation training and light attack aircraft, the L-159.

McDonnell Douglas, whose planned merger with Boeing is being reviewed by the US Federal Trade Commission, is also bidding to sell its F/A18 Hornet fighter to the Czech air force. It is facing competition from Lockheed Martin, Dassault and Saab/British Aerospace. Kevin Done, London and Vincent Boland, Prague

Macedonia gains \$135m loans

The World Bank and the International Monetary Fund are to make loans totalling around \$135m to Macedonia to support economic reforms and accelerate privatisation.

Macedonia, poorest of the former Yugoslav republics, is to receive two loans from the Bank of \$30m each. One will be an International Development Association credit with a 35-year maturity including a 10-year grace period. The Bank said the loans were aimed at promoting reforms in the trade and agricultural sectors.

The IMF has approved a \$75m loan payable over three years to support the country's 1997-99 economic reform programme. It said that the economy "has yet to turn around decisively", with unemployment as high as 30 per ent. The banking sector was suffering from a heavy burden of non-performing loans.

The Macedonian economy contracted by around 30 per cent from 1991 to 1995, but the recession was halted last year, and gross domestic product is forecast to grow by 5 per cent in 1997 and by 5.3 per cent next year. Kevin Done

Germans deny insider trading

SAP, the German business software developer, trying to limit damage from an insider trading probe, said its top managers and other key employees had not engaged in any illegal dealings. Employees, including board members who knew last year's third quarter would show weakened growth, had sworn they did not engage in share trading based on that information, Mr Bernd Thiemann, supervisory board chairman, told the annual meeting.

Mr Dietmar Hopp, chief executive, said "the unbelievable uproar over this process is likely to have caused major financial damage". But the group had set a goal of increasing revenue by DM1bn (\$580m) this year from DM3.72bn in 1996.

Mr Hopp and members of the supervisory and management boards had signed documents asserting that they "at no time dealt in SAP shares or derivatives in violation of insider trading rules." Mr Thlemann said. Managers had not passed on relevant information to third parties where this was not necessary. Other employees with access to critical data have also sworn they did not engage in insider trading. Reuter, Mannhet

France and Germany divided over ECB role

ing qualified majority voting swimmingly in Paris. First

By Wolfgang Münchau in London and Andrew Fisher in Frankfurt

France and Germany are locked in a dispute over whether the new European Central Bank or national central banks should have the power to conduct foreign exchange and some money market operations after the scheduled start of European economic and monetary union in 1999.

Germany and the smaller EU countries are lobbying heavily for the Frankfurt-based ECB to be able to fine tune the money and foreign exchange market operations. France is arguing that these pow- potential Emu members over

but remain with national central banks. Also at issue is whether the ECB manages its own reserves or whether this should be done by Emu central banks.

One senior European central banker, who is a member of the council of the European Monetary Institute (Emi), the forerunner of the European Central Bank, said: "Suddenly what we thought had been agreed on now seems not to be so. This [the French position] is quite surprising. Financial centre considerations are behind this." France also disagrees with other French argument goes.

ers should not be given to the ECB whether the ECB should be linked meetings confirmed that the gath- ECB - to decide monetary policy in directly to Target, the real-time euro payments clearing system. The French position is that the institute, which developed Target, should not be integrated into the system. Once Emu begins, the existence of the euro as a single currency will place Frankfurt, where the institute is based and the ECB will also have its headquarters, in even more direct competition with Paris as a financial centre. The greater the operational powers of

the ECB, the more this is likely to

enhance Frankfurt's status, the

erings were increasingly preoccupied by the divisions especially between France and Germany over this issue.

Another observer close to the situation said: "At its heart, this is a disagreement about financial centres. It is evident that the French are digging in their heels. But the idea that the central bank's dealing operations make or break your financial centre is ludicrous. There are years where there is absolutely no intervention in financial markets whatsoever."

Although the disagreement does A participant of Emi council not touch on the main task of the worked out in detail.

the euro zone and oversee its implementation by national central banks - it highlights the difference of approach between France and its European partners, especially

Germany. The Maastricht Treaty, which sets out the responsibilities of the ECB and national central banks in a special protocol, is vague on this issue. Article 12 of the protocol says that "the ECB shall have recourse to the national central banks". However, the precise relationship between the ECB and national central bank has yet to be

Allies mixed up 'victim' gold Nazis sent 'non-monetary' gold to Switzerland. Bruce Clark reports

gold sent to Switzerland from Germany during the second world war came in part from personal sions – such as jewellery, coins and even dental fillings – taken from Jews and other victims of Nazism, according to a landmark US come light on the shortgovernment report published yesterday.

But the 200-page report, which follows a six-month review of more than 15m pages of documents in the US national archives, does not find any evidence that the Swiss knowingly accepted "victim" gold.

The Nazis' use of "nonmonetary" gold seized from individual victims of persecution was the most sensitive issue addressed by the study, ordered by President Bill Clinton after an outcry

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islators such Senator Alfonse D'Amato.

The conclusions, while embarrassing for the Swiss and other neutral nations which traded with Germany, may also throw some unwelcomings and compromises of the US and its allies.

The report finds, for example, that the US government consciously "misdirected" gold from Nazi victims into the pool established by the Tripartite Gold Commission (TGC), whose aim was to compensate governments, not individuals.

The TGC, grouping Britain, France and the US, has paid out a total of 326 tonnes to 10 European countries which were occupied by the Nazis and had their assets confiscated. The most Albania in October 1996.

The US government is now proposing that the six tonnes of gold which remain in the pool, worth about \$70m at today's values, lbs of gold tooth fillings said gold'."

he \$400m worth of by the World Jewish Con-should form the basis of a gress and prominent US leg-fund for Holocaust survivors - notably those who ended up in eastern Europe and have not received any other compensation.

The failure to compensate Holocaust victims adequately reflects a "sad combination of indifference on the part of the neutrals and inaction by the allies," says Mr Stuart Eizenstat, commerce under-secretary and principal author, in an intro-

The US, it emerges from the report, was well aware of the grisly practice of adding "victim gold" to the assets of the Nazi state, as its troops had discovered a huge cache of bullion in a mine in 1945. A US army document, released with yesterday's assets confiscated. The most study, says the Merkers recent payment was to mine included "an untold quantity of money and personal jewellery apparently stolen or taken from victims

of the Nazi regime".

to have been extracted from the mouths of murder camp victims," the document, dated January 1946, adds. The study concludes that individual gold probably accounted for a relatively small proportion of the bullion that was recovered by the allies after the second world war, but it adds: "That scarcely lessens the sense of a final grim indignity added

to the toll of Nazi barbarity". Because the Nazis often resmelted the gold they had seized from both occupied countries and individuals, it was hard to identify the source. However the report noted that a smelting of looted Dutch guilders in 1943 also included some 37,000 grams of gold seized by the SS from individuals.

"Of the bars which resulted from this smelting, 83 per cent were traded to the Swiss National Bank, the rest to Italy," the report says. "Thus it is clear that bullion traded to Switzerland and other neutral countries



The United Nations war crimes tribunal in The Hague yesterday found Bosnian Serb Dusan Tadic (above), guilty of war crimes and crimes against humanity for his part in an "ethnic cleansing" campaign against Bosnian Moslems in 1992, Reuter reports from The Hague.

Tadic, 41, was found guilty on 11 counts of persecution and beatings and convicted of two killings which were not charged as murders but included under the persecution charge. Three judges found him not guilty on nine counts of murder and declared a further 11 charges inapplicable. "There are also some 600 included some of this 'victim as of gold tooth fillings said gold'."

Tadic's lawyers said they would appeal, meaning a likely postponement of the July 1 date set for sentencing.

Chirac weighs in with appeal to voters

By David Buchan in Paris

yesterday intervened in France's increasingly close parliamentary election campaign with an attack on the spending and taxing policies of the left and an appeal to voters to back him and his centre-right government.

Mr Chirac concluded a much-awaited article, car-

Gaullist president has called Juppe, Gaullist prime ministhe election in an attempt to ter, said the president's mes-President Jacques Chirac give his centre-right, in power since 1993, another to the centre-right campaign. five-year term. Voting will However, the somewhat take place in two rounds, on May 25 and June 1.

Yesterday the left dismissed Mr Chirac's com- in an election in which his ments. Mr Laurent Fabius, a former Socialist prime minister, claimed the president was "out of touch", urging ried yesterday by selected continuity when people regional and national news-wanted change. Mr Lionel papers, by saying: "I need your support to continue the work which we have begun into the campaign the right together, and which can only has had to call on the presibear fruit over time." The dent" to save it. Mr Alain unpopularity is considered

sage would give "new élan" Olympian tone of Mr Chi-

rac's article, considered normal for a French president office is not directly in question, may have blunted its impact. Nowhere in his 1,500word article did Mr Chirac mention parties, protagonists or even left or right by name - perhaps because to have done so would have highlighted the role of Mr Juppé, whose personal

the government's main handicap. The Elysée chose 14 regional newspapers to carry

the article, a selection that irritated the rest of the press, even though many of them managed to run it in later editions. Mr Jospin said yesterday he would reply that gave the parliamentary with a similar article, but majority to the candidates of would not discriminate in its distribution. He stirred tensions with his Communist long campaigned against the allies by stating that in a euro, claimed the Socialists allies by stating that in a leftwing government, the larger Socialist party's posi-tion of qualified support for the single European cur-

He said on radio that he had told Mr Robert Hue, the Communist leader, that "if there is a majority in which the Socialists have a far bigger contingent than the Communist party...there can only be one line: the one set by the French people this party."

Mr Hue, whose party has were indulging in old-style hegemonism which "would forfeit much of the credibility of the left's efforts to be innovative and modern".



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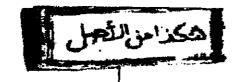
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國際 1990年第25年(1997年) **跨**電流 552 100 000 poor Bowing group

Foreign minister Yevgeny Primakov, in Luxembourg

Security starts at home in new **Russian vision**

By Chrystia Freeland in Moscow

The Kremlin yesterday are scheduled to meet again approved a grand security in Moscow next Tuesday to plan laying out a vision of try to hammer out a deal. A Russia's role in the world in Kremlin spokesman warned the 21st century. Details of yesterday that those talks the document were sketchy, were likely to be difficult, however, and experts said saying that "much more everything would hinge on effort is needed from Nato as how it was implemented.

the four-part programme is formulae which would allow believed to be its conclusion us to sign the document". that the main threat to Ruseconomic problems.

expected to be published tries to implement them." only later this month, Rusprogramme identified world coincided with a conity" as the national security nated government to break priority.

plan also assessed Russia's growth. position in the world in the wake of Nato's expected terday Mr Boris Nemtsov, a eastern expansion, and first deputy prime minister, reinforced Russia's intention said the government would to strengthen alliances with not hesitate to initiate crimiits eastern neighbours.

this week to reach an agree ment over the western alliance's planned enlargement, a bloc and from its members One of the main thrusts of to reach mutually acceptable

Commenting on the new sia's security comes not security doctrine, Mr Sergei from external enemies but Karaganov, a presidential from homegrown social and adviser and international affairs expert, said: "This is The plan was presented at a step forward in building a a meeting of the Security normal state, but a very Council, one of Russia's top small one. The most imporpolicy-making bodies, tant thing is not the docu-chaired by President Boris ment itself, it is its implementation. The main Although details of what is problem in Russia is not a effectively a new mission lack of ideas but the probstatement for the nation are lems which arise when one

Mr Yeltsin's attempt to sian news agencies said the redefine Russia's role in the strengthening social stabil- tinued drive by his rejuveup the monopolies that are At the Security Council thwarting the nation's meeting Mr Yeltsin said the potential for economic

At a cabinet meeting yesnal proceedings against Russian and Nato officials, enterprises that establish

Solana praises 'deep links' with Ukraine

By Matthew Kaminski

military alliance and Ukraine. Only the day before he had held inconclusive mannent Ukraine-Nato countalks with Russian leaders cil, one said.

cratic and stable Ukraine is one of the key factors for stability in Europe," Mr Ukraine's recent call for a Solana said. "Nato attaches reconsideration of the Cona special importance to a ventional Forces in Europe special relationship with (CFE) treaty would not scup-

Ukraine". The one-day visit to the Ukrainian capital high- the CFE's "key points must lighted starkly the contrast be preserved". in the alliance's relations with the former Soviet month in calling for lower Union's two most populous force limits in southern Ruscountries. It reflects an sia and the Transcaucasus eagerness in Kiev for closer than currently envisaged, as engagement with the west a safeguard against Russia

tion with Russia. dent Leonid Kuchma with gia and Moldova - all with Nato's draft proposal for substantial Russian forces closer co-operation that he on their territories - backed said should be concluded the demand. before the alliance's summit in July in Madrid.

His visit was designed to push forward the agreement, into account before the which will expand Ukraine's accord came into force. political and military contacts with the alliance the new treaty will not allow beyond the present Partner an increase in foreign troop ship for Peace programme.

Nato's planned expansion its agreement," he said after eastward has lent greater meeting Mr Solana. urgency to strengthening ties with Ukraine, which, ment will be on the agenda at an Organisation for Secubership along with central rity and Co-operation in European states, is keen to shore up its independence.

Officials in Kiev had been vocal in their concerns recently that Nato's focus on Mr Javier Solana, Nato closing a deal with Russia secretary-general, yesterday warmly praised "the very deep and very extensive" links between the western short of Kiev's demands for

on a security charter.

"An independent, democonfidence yesterday that he

per the accord. Mr Solana told Ukraine

Kiev took the lead last and its fear of forced integra- increasing its land forces based in Ukraine's Crimean Mr Solana presented Presi-peninsula. Azerbaijan, Geor-

> President Kuchma said his country felt confident its concerns would be taken "There is a guarantee that presence in Ukraine without

Revision of the CFE agree-

NEWS: EUROPE

Union hails employees' vote but sale of bankrupt plant now looks doubtful

Clabecq workers reject rescue plan

Workers at Forges de Clabecq, the bankrupt Belgian steelworks, have rejected a plan which might have allowed part of the business to be sold to a foreign buyer. Regional authorities say the decision is "suicide" for the plant.

1,438 workers voted late on Tuesday to reject a plan ary. negotiated over the past 10 days with the federal and the way for a buyer to res-

involved early retirement for 355 of the total workforce of 1,700, and would have placed the rest at the head of the list of creditors of the plant. This was dependent on their agreeing to sell the stock of finished products they have Some 56 per cent of the blockaded since Clabecq was declared bankrupt in Janu-

That might have cleared

regional governments, local cue part of the business, called for a vote against the longed protest by the plant's of all 1,700 jobs at the plant authorities and trade unions. employing about 1,000 work- plan and hailed the result as The package would have ers, although a further a "victory for all workers". 350-400 jobs would probably have been lost, The Italo-Swiss steel company Duferco has expressed interest in rescuing part of the business on

D'Orazio, have consistently

Duferco said the vote compromised the plant's future,

that basis. However, Clabecq work-ers, headed by the leftwing per cent of Clabecq, had union leader Mr Roberto rejected any rescue that does and little chance of a rescue not involve jobs for all the plant's workers. He had

and it could not help "people found common cause with workers from Renault's steelmaker Usines Gustave who refuse to be helped". Mr Robert Collignon, minassembly plant at Vilvoorde, Boël following the signing of ister-president of the Walwarned that this would be

"suicide" for the steelworks, rejected a BFr1.5bn (\$42m) is now seen. That could lead to a pro-

north of Brussels, due to be an alliance with Hoogovens closed in July with the loss of the Netherlands. of 3,100 jobs. Commission in December

mounted a series of some-

tions in Belgium. They have

Redundancies are also Clabecq was declared expected at Cockerill bankrupt after the European Sambre, Belgium's biggest steelmaker, in a restructuring plan following substanstate aid package. The loss

Wallonia, Belgium's French-

800 employees are expected

to be made redundant at

workforce, who have already would be a severe blow for

times violent demonstra- speaking region, where some

Court raps Renault knuckles over closure

By David Buchan in Paris

A French appeal court yesterday ordered Renault to consult its European works council before making any further move to close down its Vilvoorde car plant in Brussels. However, it did not challenge the closure itself.

Renault reacted by saying that it would summon a meeting of its European works council within 10 days, but that it would proceed with the Vilvoorde closure, "which continues to be an industrial and economic necessity".

encouragement from the ruling, however, in their fight to save the car plant. Renault announced in February that it would close the factory next July. "It already seems certain the closure cannot take place on this date," Mr Karel Gacoms, head of the Belgian FGTB metalworkers federation, said yes-

Mr Gacoms said he put some hope in the left winning the French parliamentary elections to be held in two rounds on May 25 and June 1. Mr Lionel Jospin. French state's representatives on the Renault hoard to vote to block pean labour laws. the closure. But as a result of sev-French government now has only a 48 per cent stake in Renault.

Renault decided to shut down the relatively modern Vilvoorde had at least "a minium of flexibilplant, with the loss of 3,100 jobs ity or meets the minimum of there, as part of its latest restructuring plan to stem growing losses. But its abrupt move has led to stoppages at the factory and to Renault should call a meeting of

promised Belgian unions that if European Commission among othhis party wins, it will direct the ers, that the French car company has infringed national and Euro-

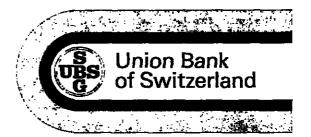
Modifying an earlier lower court eral privatisation operations, the decision last month, the Versailles Appeals Court said yesterday that Renault had to take steps to ensure that its action at Vilvoorde acceptance or comprehension necessary for the regulation of crossborder labour issues". Therefore,

Belgian trade unions drew the French Socialist leader, has widespread criticism, from the its European works council, giving worker representatives at least a week beforehand to study "all the documents relevant to the motives for, and repercussions of, the clo-

sure of the factory". Taking a fairly tough line yesterday, Mr Georges Bouverot, the Renault personnel director, acknowledged the car group accepted that "our initial information [to the workforce] has been judged insufficient" and that it would now remedy this. But it was essential the closure went ahead

One Bank Worldwide.











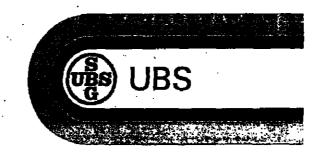














By Gerard Baker in Washington

A sharp increase in US wages pushed up unit labour in hourly pay, the largest costs in the first three increase for five years. months of the year, overshadowing news that workers' productivity grew at its

Unit labour costs in the

Department said yesterday. The main factor behind the rise was a 4.7 per cent leap

Part of the pay increase was validated by improving productivity. Non-farm profastest rate for more than ductivity, or output per three years.

ductivity, or output per hour, grew at a 2 per cent annual rate in the first quarnon-farm business sector ter, almost double the rate rose at a seasonally adjusted recorded in the previous annual rate of 2.7 per cent in three months, and the best the first quarter, up from a performance since the fourth quarter of 1993.

pointed financial markets as sure on employers' costs. they seemed to suggest that, But other figures published contrary to evidence from other recent data, increasingly tight labour markets in the US are pushing up wage costs and increasing the risk of an acceleration in infla-

Last week the Labor Department reported that overall employment costs. including wages, salaries and benefits, rose at a modest 0.6 per cent in the first three months of the year.

But the figures disap- indicating only limited pres- ened by remarks by Mr Jack showed a 0.7 per increase in last week showed that unemployment now stands at 4.9 per cent of the labour force, lowest in a generation, and fears are growing labour

> investors worried that the Federal Reserve might be forced to raise interest rates again at the next meeting of its open market committee on May 20.

Those fears were height-

Guynn, president of the Atlanta Fed and a member of the open market committee. Speaking after publication of the figures, he said it was "absolutely critical" for the Fed to remain on top of costs may be set to take off.
Bond prices fell sharply as don't think we're at the point where inflation is dead and we'll never see it again".

Stock prices also fell. At 12.30pm, the Dow Jones Industrial Average was down 60 points at 7164. Other figures yesterday

wholesalers' business stocks in March, a stronger increase than most economists had expected. That may mean overall economic growth in the first quarter was even faster than previously reported. Last week, said gross domestic product grew at an annual rate of 5.6 per cent in the first three months of the year, the fastest quarterly rate of growth in nearly a decade.

AMERICAN NEWS DIGEST

Surinam scheme changes course

A pyramid-type investment venture in Surinam, which has attracted more capital than all the commercial banks in the South American republic of 400,000 people, has backed down from a promise to close and repay all depositors in full.

NV Roep, the company running the venture, instead said it would apply for a banking licence and cut its monthly interest payments from 10 per cent to 5 per cent, giving repayments to any depositors who asked. Local bankers suggested approval by the central bank was

Over three years, Roep has attracted millions of dollars from local investors and from hundreds of Surinamese living in the Netherlands, who took suitcases of money to Paramaribo, the republic's capital, to invest in the

Local bankers and the International Monetary Fund described it - and a related scheme, NV Johwin - as a monetary time bomb, saying they feared social and political unrest similar to that in Albania when several pyramid ventures collapsed. Roep said the scheme had been adversely affected by "negative media reports." It said it had lost investors in recent months, and had been under pressure to make monthly interest payments of just

The Dutch foreign ministry, which warned in March of 'economic catastrophe", said yesterday that commercial banks in Surinam were now refusing to extend credit for

investments in Roep.

Mr Roep Ramtahalsingh, Roep's manager, suggested last month that the scheme was more of a "Ponzi" than a pyramid. While pyramids demanded that each investor bring in new ones, his venture gave depositors their 10 per cent a month returns automatically, he said. Ponzi schemes, named after a US promoter in the 1920s, rely on the inflow of money from new investors to make

payments to early ones. Mr Otto Ezechiels, managing director of the central bank's banking department, had warned that the scheme could run out of new depositors, forcing it to halt

payments, leading to its collapse. The mangers of Roep said they had invested money in "profitable ventures" but refused to say what these were. Canute James, Kingston and Clay Harris, London

Fresh row over Fujimori

President Alberto Fujimori's push for a third presidential term in the year 2000 has unleashed fresh political controversy. The ruling majority in Congress is to set up a commission to investigate four out of seven members of a theoretically autonomous constitutional tribunal, after they pronounced against the re-election initiative. The commission has 30 days to report to congress and a

constitutional accusation" against the four could follow. Congress voted late last year to "reinterpret" the constitution in such a way as to enable President Fujimori to stand again for election in three years' time. The 1993 constitution states that only one immediate re-election is permissible.

But the ruling majority argued his current five-year term is Mr Fujimori's first under that constitution, therefore another shot at the presidency in the year 2000 would count as a first re-election attempt.

Using unexpectedly strong language, the four members of the Tribunal have reacted angrily to what they call an unwarranted attack on their Sally Bowen, Lima

Strong New York art sale

For the next ten days New York becomes the centre of the international art market, with major auctions of Impressionist, Modern and contemporary paintings and

The season got off to a flying start on Tuesday evening when Sotheby's offered a modest sale of just 43 lots of contemporary art but saw 36 of them sell, for a total of

There was strong demand for the works of abstract expressionist artists. "Crosstown" by Franz Kline sold above forecast for \$2.2m; Mark Rothko's "No 19" made the same price; and \$1.76m., below forecast, was paid for one of Willem de Kooning's "Untitled".

But the main surprise was the record prices achieved by the younger generation of artists. "Transexualis (Decline)" a multimedia work involving sculpture and video, by 30 year old Mathew Barney sold for \$343,500, while "Untitled", a rubber casting by 34 year old British artist Rachel Whiteread, which looks like a discarded mattress, sold for \$167,500.

There was also a record for Jeff Koons - "Stacked sculpture", a wooden carving of five animals perched on top of each other made \$250,000. Most of the recent works were sent for sale to benefit the Boston Children's Heart Foundation, which is now almost \$2m richer from selling

They had been bought by Dr Nadal-Ginard, a founder of the Foundation, who is currently in jail for defrauding it. Antony Thorncroft, London

Clinton wins backing from Zedillo on trade

By Leslie Crawford in Mexico City

Mexico yesterday gave President Bill Clinton its full backing to pursue a hemisphere-wide free trade accord as the US leader prepared to continue his first tour of Latin America and the Caribbean with stops in Costa Rica and Barbados.

Mr Clinton's visit marked the high point of Mr Ernesto Zedillo's beleaguered twoyear presidency. Mr Clinton's praise for his host's "visionary and courageous" handling of Mexico's 1995 peso crisis allowed the Mexican president to bury the shame of the US-led financial bailout and recent drug corruption scandals.

Mr Clinton also addressed Mexico's unspoken yearning for a more equal partnership by underscoring the shared Clinton's two-day visit Nafta, saying it had accentu-nature of problems such as appeared to grow by the ated the gap between rich drug trafficking and illegal hour. In successive speeches, and poor.

migration. When the two Mr Zedillo put the figure of presidents addressed Mexican business leaders yesterday, the strongest applause came after Mr Clinton said the US sought a "peaceful, prosperous partnership with Mexico that is based on

Mr Zedillo acknowledged his debt of gratitude to the US president by claiming: "Nobody has worked with more determination than Mr Clinton to foster respect, dialogue and understanding between our countries." He

offered his support for a Free Trade Area of the Americas. Agreement (Nafta), which was the enthusiasm expressed for Nafta that

total trade between Mexico and the US at \$140bn, then \$150bn, and finally "at almost \$160bn". Mr Clinton, who must con-

vince the US Congress of the benefits of Nafta in order to win fast-track authority to negotiate other free trade agreements, emphasised the importance of Nafta in safeguarding US jobs. US exports to Mexico, he said, had increased by 37 per cent Mr Bill Daley, the US sec-

retary of commerce, told a rade Area of the Americas. meeting of US businessmen Both leaders celebrated that 700,000 US jobs their partnership in the depended directly on US North American Free Trade exports to Mexico. Mr Andrés Manuel Lopez Mexico joined in 1994. Such Obrador, leader of the

left-wing Revolutionary Democratic Party, gave Mr bilateral trade during Mr Clinton a different view of



of the US, Opportunity Asset Manage-

ment, an investment fund, and four

Brazilian pension funds, whose exist-

ing holdings in CVRD gives the consor-

tium over 50 per cent of the voting

shares. Gencor, the South African min-

ing company, has signed a "letter of

intent" with the consortium which

The CSN-led consortium outbid a

could allow it to enter at a later stage.

rival group led by Anglo American of South Africa and Grupo Votorantim,

the Brazilian conglomerate.

High farce in Brazil mining sell-off

tion. Lawyers for the National Devel-

opment Bank (BNDES), which is

organising the privatisation, were yes-

R\$32 per share, a 20 per cent premium

to the minimum price of R\$26.67.

privatisation finally evening, a week later than scheduled, in scenes more appropriate to high farce R\$3.34bn (US\$3.14bn) of shares in a mining company. Janeiro.

The first attempt at the in the Companhia Vale do Rio Doce (CVRD) was interrupted after 15 minutes by an injunction. Officials at the Rio de Janeiro stock exchange hastily re-started the auction five minutes after the injunction was

minutes later. being played on the floor of ily happen again with the stock exchange, news of sell-offs," he said. a fresh injunction began to

filter through. The delays, interruptions and confusion have been bad publicity for the Brazilian government, which had hoped to use the CVRD auction to kick-start Latin America's most ambitious privatisation programme, including the sale of the Brazil. "The process may country's telecoms and electric energy industries by the end of next year.

Mr Alexandre Barros, a countries. If it happens, it is political consultant in Bra- for good."

The new owner of Companhia Vale do took place on Tuesday Rio Doce (CVRD), a consortium led by Companhia Siderurgica Nacional (CSN), Brazil's largest steel maker, said it would not break up the assets than the sale of more than of the world's largest iron ore producer, Geoff Dyer reports from Rio de

auction of a controlling take of CSN, made the comments after the consortium he put together won the auction on Tuesday evening to buy a controlling stake in CVRD, the world's

largest iron ore producer. However, the privatisation was temporarily suspended because of an

terday appealing against the injunction, one of nearly 30 awarded in the last 10 days against the sale. The lawyers will have to overturn the latest challenge before they receive any of the R\$3.34bn (US\$3.14bn) the Mr Benjamin Steinbruch, chairman consortium agreed to pay for a 41.7 per cent stake of voting shares in CVRD at

more democratic and more

overturned. It was all over 10 bound to have an impact on ers have inspired the sort of wise. the government's other pri- emotional resonance in Bra- The other planned privati- a public offering to interna-However, while a tape of vatisation plans. "People zil that farmers have in sations will not be so tional and domestic investhe national anthem was will say that this could eas- France and the miners once unpopular because in most tors. did in the UK. Opposition to cases voters are also customthe sale united a coalition ers and the link between But even though the sale which included two former

> was delayed by a week, some presidents, the country's observers say the fact it hapcatholic bishops and the landless farmers' movement. pened at all is a landmark in the country's economic life. The only other Brazilian "This has been the final state-owned company which swan song of anti-privatisahas the same popular appeal tion nationalism," says Mr is Petrobras, the oil and gas Winston Fritsch, chief execucompany, not on the privatitive of Kleinwort Benson in sation schedule.

> While some members of look cumbersome but it is the business community have begun to talk about permanent than many other selling Petrobras as a realistic possibility, the events of the last week may well per-The CVRD and its support- suade the government other-

In public offerings later this year, CSN, itself privatised in 1993, is the largest shareholder in the consortium, the government plans to sell the rest with a 16.3 per cent stake in CVRD. of its shares in CVRD, which has a injunction issued shortly after the auc- The other members are NationsBank total value of around R\$15bn.

> state-ownership and the central event in the process, quality of service is appar-The long waiting list for a new telephone line, the difficulty in placing calls in some cities and the series of the country over the last

the telecoms network and electric energy system less problematic. is not over. The government consortium members, for Lex, Page 14 plans to sell the rest of its whom the auction was a one-

month will make the sale of

tal by the end of the year in

Although the auction of a controlling stake was the the danger is that opponents of the sale have discovered that they can use the legal system to cause significant disruption. Around 130 legal challenges were lodged around the country, some in small towns and most timed just before the auction in order to create the maxi-

mum delay. The legal manoeuvrings The privatisation of CVRD did not put off any of the stake in the company's capi- off chance to buy a control-

fickle by nature, conflict in the courts could be a decisive factor. Any delays would also pose huge legal problems for the public offering, which will have a fixed timetable for book building and underwriting periods.

rival. But for institutional

investors, who are more

Lawyers expect the government to resort to the same method it used this week to get the auction to go ahead - asking the Supreme Tribunal of Justice, one of the country's highest courts. to judge on all the injunc-

Government officials yesterday breathed a huge sigh of relief at getting the auction away, for further delays this week could have led it to be postponed for a couple of months.

Their supporters claim they have won an important victory, not just for privatisation, but also for the economic struggle to reign in the budget deficit and finance the growing trade deficit. However the government will also be examining what lessons can be learnt from what has been a bruis-

Geoff Dyer

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The FCC's brief to implement the telecoms act and increase competition has made it the prey of '10,000' lobbyists

US regulator rings the changes in phone market

At the heart of the US's Telecommunications Act, passed 15 months ago today, was a provision for the end of the divisions that have separated the country's long-distance and local carriers. That, in turn, was meant to bring about a competitive free-for-all that would slash telecom costs and give the US a big push further down the road to becoming

But details of how that should be done were not laid out in the act: it has been up to Mr Hundt's ing.

man of the Federal tion into reality. And that has Communications Com- brought down on his agency one mission, has been grappling with of the biggest lobbying efforts to every ambitious regulator's hit Washington for some time, as dream job - and worst night- rival telephone companies, as well as groups representing residential and business telephone users, have set out to shape the \$170bn US telephone markets to their advantage.

No wonder the FCC chairman offered a facetious vote of thanks yesterday to "everyone who has been advocate - all 10,000". He added: "Our process has been the envy of the rest of the world." Before he can justify such a claim, the smoke will have to clear from what has been a highly political piece of rule-makmoves, adopted in broad outline yesterday, is an attempt to achieve two different purposes. The first is to squeeze some of the so-called "access charges" out of the phone system. These payments, amounting in some estimates to more than \$20bn a year, are made by long-distance telephone companies to the local carriers, or Baby Bells, which carry the calls the last few miles to

their destination. A large chunk of these charges amounts to a subsidy paid by long-distance callers to keep the basic local phone service at a low level (typically, a flat \$15 a month in most US states.) Mr Hundt, though, has had to find a way of eating into the cross-sub-

cally catastrophic move of forc- more than a form of taxation," ing up the cost of basic local residential telephone charges.

the act, requiring the telecoms industry to provide money for a Universal Service fund. This is meant to subsidise low-income telephone users and people in the act's immediate goals. To pay thinly populated rural areas. It for the new fund, the FCC has will also enable all the country's elementary and secondary schools, as well as libraries and rural hospitals, to be wired up to

the Internet. Not surprisingly, talk of reducing access charges has prompted complaints from the Baby Bells. And the burden of the Universal Service Fund has added to the

general complaints. "It is nothing an agreement by AT&T - no more than a form of taxation," doubt to be followed by other says Mr William Gaik, a telecommunications expert at Deloitte & To add to this, Congress Touche. "No matter who you injected social engineering into please, you'll get people riled

It is not surprising, then, that Mr Hundt has probably chosen to do the least necessary to achieve slapped a new per-line charge on businesses and homes that have more than one telephone line.

To balance this higher cost, though, it has called for an immediate \$1.7bn reduction in access charges in the 12 months from this July. Much of this will be passed straight to long-distance

long-distance companies - to hand over the savings it will make in the form of lower tele-

pleased the long-distance compa-

Lower bills should stimulate more calls, boosting their revenues: however, the bulk of the access charges will remain in the system, to disappear only gradually as real competition breaks out in local telephone markets. The Baby Bells, on the other hand, were complaining loudly yesterday. "We believe they are taking the burden of the Universal Service fund off the long-distance companies and put-

ting it on the local customers," said BellSouth, which serves the South East region. The damage to these compa-

nies is far less than it appears, however. The Bells will not sus-This has at least in part tain an instant \$1.7bn hit to their collective profits. Access charges would probably have fallen \$700m anyway, tied to productivity improvements at the Bells. And a change in the way access charges are assessed will help them recover some of the money. More important, perhaps, is the FCC's decision to leave the access charge system largely in

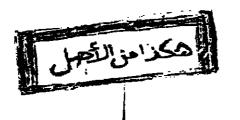
place - something that will

reduce a concern that has hung

over the Bells for some time. Richard Waters

You know that lie-in you promised yourself this weekend? Have it tomorrow morning. Check in by telephone and your boarding pass will be waiting for you at the airport? So you won't have to get out of beal at the enack of having

> BRITISH AIRWAYS The world's favourite airline



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US team to probe Japanese N-group

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The Japanese government is poised to appoint Arthur and consultancy company, to conduct a management audit of the scandal-hit Power Reactor and Nuclear Fuel Development Corporation, known as Donen. The move to hire a foreign consultant is highly unusual -Tokyo-based consultants say it is unprecedented - and reflects the extent of the crisis besetting the government's ambitious nuclear

energy programme. Following a recent string of nuclear accidents at facilities operated by Donen and disclosures of cover-ups and mismanagement, Mr Ryutaro Hashimoto, the prime minister, promised to bring in an "independent" party to assess Donen's future. He also hinted that the government might abolish the organisation altogether.

Arthur Andersen's office in Tokyo would not comprobe of Donen, to be officially announced by the Jap-

said the US company had

Government officials said yesterday that a leading foreign consultant was required to reassure the public of the impartial nature of such a

Donen has been embroiled in a widening scandal over falsification of information and mishandling of emergency procedures since late 1995, when a massive leak of Donen's experimental fastbreeder reactor, Moniu. It Was subsequently revealed that Donen officials doctored videotapes of the accident, among other charges of incompetence and misman-

But the government did not act against Donen until March this year, when a fire ment on its forthcoming and explosion at its Tokaimura reprocessing plant exposed 37 workers to radia- down following mishaps.

By Gwen Robinson in Tokyo anese government later this tion and was labelled week. But nuclear officials Japan's worst nuclear accident. The Science and Techbeen asked to examine all nology Agency, which is Andersen, the US accounting aspects of Donen's responsible for overseeing operations and structure, nuclear energy policy, filed including its crisis manage- criminal charges against ment and communications Donen executives who admitted falsifying information about the Tokaimura

At present, Donen is a pil-

lar of Japan's large nuclear power industry, with control of functions ranging from uranium exploration and enrichment to research and reprocessing of spent nuclear fuel. The organisa-tion has a staff of nearly 3,000 and annual budgets of sodium coolant occurred at around Y230bn (\$1.8bn). It also receives substantial payments from electric power utilities for reprocessing spent nuclear fuel and other services.

Donen directly operates six of the most strategic nuclear power facilities among Japan's total of 52 nuclear plants, including an advanced thermal reactor. Four of the six facilities have been temporarily shut

Election taxes Philippine reform

aga eamera 11,85m

he Philippine comprehensive tax reform programme, dubbed the CTRP, is in danger of falling victim to election pol-

itics. Last week, Mr Jose de Venecia, speaker of the House of Representatives and a leading candidate for presidential elections next year, announced that the lower chamber had approved the final portion of the CTRP, which deals with personal and corporate income taxation, tax incentives and tax administration.

He highlighted a maxinum tax exemption level of 146,000 pesos (\$5,540) for a family of six, with a further tax credit taking that figure in effect to 166,000 pesos and a ceiling of \$60,000 for overseas workers. "This package of tax

exemptions will benefit about 23m to 25m Filipinos. or more than one-third of the entire Philippine population," he proclaimed. What he did not say was

that the House had not even finished debating the bill and has yet to hand it over to the Senate. The tax legislation, centrepiece of reforms by the administration of President Fidel the House, "we may end up Ramos and the last remain- with a tax deform instead of ing obstacle to graduating from IMF tutelage, has

184,000 become a political football. the bill by June, says Ms The figures themselves Guevara, the country may disappointed some. Ms Nene have to wait until December as electioneering reaches Guevara, undersecretary of finance, calculates that 87 fever pitch. Worse still, some per cent of taxpayers would observers believe, Mr be exempted and 34.9bn Roberto de Ocampo, the

Philippines: tax reform

pesos in revenue lost annu-

ally. This would not help a

government seeking to rant, may also be tempted to ensure a dependable stream make political capital out of of revenues from an equitable tax base in the face of "I don't know of any other dwindling privatisation procountry in the world which would undertake tax legislaceeds - the aim of the CTRP. The department of finance tion so close to a national election," says the chief argues its proposals for exemptions of up to 96,000 executive of one of the counpesos per taxpayer already try's largest banks. "It's ask-

ing for trouble." exclude those below the pov-With the IMF programme erty threshold. With the higher levels supported by due to expire on June 23, Congress set to adjourn on June 5 and the Senate yet to a tax reform." it concludes. begin reviewing the bill, If Congress does not pass prospects for its early sign-

finance secretary and another presidential aspi-

Ramos: last obstacle ing into law now look increasingly unlikely. The IMF programme, the

country's 35th in 23 years, is a three-year \$684m credit facility, untouched after an initial drawing. Apart from lative shares by more than being a critical measure in 15 per cent and speculative its own right - the revamped tax system will raise domestic savings which are among the lowest in the region and help ward off a return to fiscal deficits - there are other serious investment benefits from a timely completion of the programme, says Mr David Nellor, the IMF's rep-

resentative in Manila. "Passing of the CTRP on time would send a strong signal to international investors and the credit rating agencies that the Philippine reform programme is on

many times in the past," Mr Nellor said. "It is important for emerging economies, particularly the Philippines, to establish a strong track record because the markets still need to be convinced. Finally, it may also improve the prospects for a credit upgrade.

■ The Philippine Securities and Exchange Commission, the market watchdog, yesterday suggested a move to limit share price fluctuations, following recent volatility on the Manila exchange. The proposals include the suspension of trading in shares which rise more than 30 per cent in one day, blue chips falling more than 10 per cent, non-specushares by more than 20 per cent. Shares are now suspended when they gain or lose 50 per cent in one trading session.

The SEC proposal follows the biggest market fall in 26 months last week which the authority blamed on "sensational but groundless reports of an impending collapse in the property market". The market fell 3 per cent yesterday to 2,694.4 points, following a 6.5 per cent rally on Monday and Tuesday.

Justin Marozzi

Quinn jailed in Australia

By Nīkki Tait in Sydney

Australia's largest retailer, until 1992 and a former board member of the Reserve Bank, was yesterday jailed for four years.

The 61-year-old businessman had been charged with defrauding Coles of A\$4.46m (US\$3.5m) over a six-year period - with most of the money being spent on lavish refurbishment of his home in Templestowe, in Melbourne's eastern suburbs.

It is the latest in a series of high-profile cases in Aus- Lanyon, the company's fortralia over alleged corporate mer maintenance controller. fraud or theft, often involv- to defraud Coles - in effect ing events in the high-spend- causing the retailer to pay ing 1980s.

Mr John Elliott, the prominent Melbourne businessman, collapsed last year, but Mr Alan Bond, the Perthhased entrepreneur, was successfully prosecuted in two separate fraud matters and is now serving a prison sen-

In the course of the closely watched Quinn trial, the court was told of hundreds of thousands of dollars being expended on marble walls

and floors, and the replace ment of window glass by Mr Brian Quinn, chief bevel-edged glass. A executive of Coles Myer, wrought-iron bridge was constructed over a fivemetre tiled swimming pool, along with a tennis pavilion and an eight-car garage. The house was said to

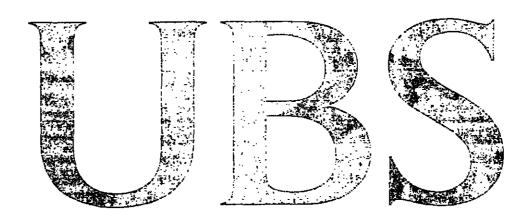
have an average of 30 people working on it each day between 1985 and 1988.

The crown prosecution alleged that Mr Quinn, who held the top job at Coles for five years and was also chairman of the retail glant between 1987 and 1991, had conspired with Mr Graham

for much of the work. mixed record: a case against that, when the Fraud Squad began to investigate, Mr Quinn had suggested destroying documents although he also said he believed Mr Quinn "had every intention of paying the money back".

Mr Quinn, who had pleaded not guilty, has now repaid more than A\$3m to Coles. But Mr Justice Geoffrey Eames said yesterday that there was "no evidence of any remorse at all".

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ASIA-PACIFIC NEWS DIGEST

Mahathir plans two-month tour

Malaysia's prime minister Mahathir Mohamad, who will be overseas for two months from later this month, is expected to break with precedent and appoint Mr Anwar Ibrahim, deputy prime minister and finance minister, as acting prime minister in his absence.

Mr Mahathir's absence – he will visit several European countries – would rank as his longest period outside the country since he assumed his post in 1981. Mr Anwar's temporary elevation is significant because it confirms him as the leading candidate to succeed Dr Mahathir. Malaysian officials dismissed speculation that Dr

Mahathir's health may be worsening, saying that much of his time in Europe will be spent drumming up investment for the "multimedia super-corridor" - a project with which Malaysia hopes to leap into the information James Kynge, Kuala Lumpu

HK curbs may be scaled down

Hong Kong's government in waiting may soften its stance on proposals to tighten police powers over demonstrations and toughen regulations regarding political funding, according to a member of the post-colonial cabinet.

Mr Henry Tang, a businessman who will sit in the Executive Council after Hong Kong returns to Chinese sovereignty on July 1, said that some responses to the proposals, gathered during a three-week consultation period, were more liberal than the plans and were "worthy of our consideration". He signalled that new laws on public demonstrations might not differ markedly from existing legislation, and that limits on foreign funding for political parties could be restricted.

Plans to amend existing laws have emerged as a serious test for Mr Tung Chee-hwa, the shipping tycoon who will take over as the territory's post-colonial leader in John Ridding, Hong Kong

Shanghai plans clean-up Shanghai, one of the world's most populous cities, has

launched a multi-billion dollar campaign to clean up the environment and restore its image as the "pearl of the east", according to its activist mayor. Mr Xu Knangdi, a western-educated scientist, said the city - with a population of about 16m - would put \$1bn a year or 3 per cent of its gross domestic product into the clean-up campaign. Targets include the foul-smelling 53km Suzhou creek, which flows into the Huangpu river on which Shanghai is situated. The World Bank is helping to fund attempts to "sanitise" the creek in a project expected to cost Yn20bn (\$2.41bn) over 15 years. Tony Walker, Beijing The introduction of the single worldwide brand, UBS, underscores our commitment to providing clients with the best integrated financial services on a global scale. Wherever you do business, we have a world of expertise at UBS ready to work for you.

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ELECTRONICALLY SPEAKING WEBSON I'VE PIGEON-HOLED YOU UNDER

DOT MINION

Internet chiefs fail to address the future

Louise Kehoe and Paul Taylor report on the growing row over regulating Web site titles

web site address was registered by Bonny View Cottage Furniture of Petoskey, Michigan.

This event did not make headlines, yet it is at the root of a growing international controversy over how best to accommodate the rapidly expanding numbers inesses, organisations and individuals seeking addresses in cyberspace.

There are more and more conflicts among businesses and people wanting the same name and between companles and "hijackers" who register common brand names as Internet names and then offer to sell them to their "real" owners.

Meanwhile, finding distinctive names for web sites is becoming more and more difficult. Let's say, for example, that a Fred Thomas wanted to use his initials to designate his web site address. He would quickly already been claimed by this

millionth Internet France Télecom cannot use the common abbreviation of its name as a web site

> The problem has been exacerbated by the emergence of prestige addresses in cyberspace. Each country has its own set of domain names. Thus a UK company can end its Web address with "co.uk". Yet many businesses prefer the ".com" domain name that signifies an international business

In an attempt to subdivide cyberspace and create new, attractive addresses, members of the Internet Society, a group of veteran Internet technologists, together with the Internet Assigned Numbers Authority, came up with a plan for seven new Web "domains" or address suffixes and proposals for expanding the number of licensing authorities, or registrars, for Internet use, initially by 28.

These include "firm" for not, however, have the supes, ".store" for com- port of the US government

".web" for general purpose web sites, ".arts" for cultural sites, ".info" for information services, ".nom" for individ-uals and ".rec" for recre-

ational activities. At a meeting in Geneva last week, hosted by the International Telecommunications Union, the UN agency, a self-appointed International Ad Hoc Committee (IAHC) announced broad support for its plan. Some 80 companies and organisations were behind it,

the group said.

Mr Vinton Cerf, an Internet technology pioneer and now MCTs senior vice president-Internet architecture, endorsed the plan which, he said would "modernise the domain name system...ensuring that the Internet's structure of self-governance catches up, and keeps pace, with its rapid commercial and technological advance-

The new naming plan does

month ago, the one newspaper. Similarly, panies selling products, or the European Union. The expressed its support for the US has expressed concern about the authority of the ITU secretariat to act without authorisation by member governments.

The European Commission has expressed similar reservations. While endorsing the the global debate on the matter, it has doubts about the IAHC's proposals and wants a full review.

It also feels Europe is under-represented in the IAHC. Neither does the new

domain name system have the full support of many Internet service providers (ISPs) - the companies that hook people and businesses to the Internet.

ince there is no central

Scontrolling body for the Internet, any changes require consensus. in particular, the support of ISPs is crucial. It is up to them to make the necessary changes in their systems to recognise new domain names. Although MCI

plan, PSI Net, which carries about 15 per cent of Internet data traffic on its US "backbone" network, is firmly opposed to the new naming

Internet domain names are a "global public policy issue which requires considerable debate among all Internet stakeholders," said Mr Wil-liam Schrader, PSI Net chief executive. "This should not be decided by a cloistered 11-.

Netcom Communications, one of the leading US ISPs. is taking a "wait and see" attitude. If customers want these changes, Netcom will support them, said Mr Craig Clemens, vice president of operations. He expressed concerns, nonetheless, about how the plan for 28 new registration centres would

Among companies already established on the Internet, the prospect of new domain names is not altogether welcome. What if, for example,

"ibm.firm" or "safe-way store". Would these be confused with the genuine

the proposed naming system possible to guess the web site address of many compadomain names would only confuse matters.

The push for change prompted by dissatisfaction with the system for registering new Web site names. Network Solutions, a US company, was awarded the contract to oversee registrations for so-called "top level" domain names several years ago by the US National Science Foundation, which originally handled registra-

Since then the company has imposed registration fees, and has been forced to arbitrate in more and more disputes over domain names. Under the Geneva propos-

".com" sites?

Users of the World Wide Web may well wonder how will work out. Today, it is nies by simply affixing the ".com" suffix Adding more

> monopoly would be ended and a worldwide network of registrars - initially 28 but with more to follow - would be authorised to register top level Internet domain names. The registrars will compete with each other, driving down registration

> > The initial limit of 28 was imposed to ensure that the number of registrars would be a workable team for

als. Network Solution's developing technical and

In several other areas such as the control of hard core pornography and racist content on the Internet, would-be legislators have found that the Internet is a difficult and unwieldy beas

to tame Now it seems that even an apparently innocuous attempt to provide more Internet addresses could

French to press Mobutu to quit

There were jeers and cheers from residents of Kinshasa yesterday as President Mobutu Sese Seko flew out to attend an impromptu summit in Gabon. But while members of the country's lobby group and the French elite packed their bags and headed out, there was no bit," said a Kinshasa-based sign the president intended to follow

Aides insisted the president, whose heavily guarded motorcade was booed as it drove through an opposition stronghold to the airport, would return either today or on Friday from his meeting in Libreville with Francophone African leaders.

But international negotia- cratic Forces for the Liberators hope the French govern- tion of Congo (AFDL), which include General Kpama Kata ment, which has re-entered has Kinshasa in its sights Baramoto, the president's

collapse of a South African ters of the country. and US-sponsored attempts to arrange peace between Mr Mobutu and rebels marching on Kinshasa, can use its influence at the meeting to

press the president to resign.
"This is a Francophone are now trying to do their diplomat. "France should be calling the shots at the meet-

Zairean opposition newspapers put a darker interpretation on the unexpected summit, predicting an weapons and troops to beat back the Alliance of Demo-

the diplomatic fray since the after capturing three quar-Military analysts said that

claims the rehels were within striking distance of Kinshasa's airport were exaggerated and that the real battlefront remained at Kenge, 200km to the east. They said elite troops had been sent to hold the bridge over the Kwango river but were outnumbered by rebels. But the rebel propaganda

has succeeded in creating a fin-de-régime mood of panic in the capital. The lobby of the Hotel Intercontinental, a magnet for members of Mobintransigent Mr Mobutu utu's clique, was yesterday would ask his allies for full of well dressed families waiting with their bodyguards for the airport bus. Recent VIP departures



WAY OUT: Mobutu's motorcade en route to the airport yesterday was met by boos from bystanders

brother-in-law. Military analysts said the former army chief of staff and head of the

ted to return from exile. become increasingly cumber-Garde Civile was not expec- some since western airlines targeted by approaching reb- join flights in Brazzaville.

on Tuesday decided to stop But leaving Kinshasa has flying to the capital because

els or hijacked by fleeing troops. Passengers are now of the risk of being either shuttling across the river to

way to winning. Since 1992.

Arafat, Weizman closer on security

By Judy Dempsey

President Ezer Weizman of Israel and Mr Yassir Arafat, the Palestinian leader, have made the first tentative steps towards renewing security co-operation, which was suspended in March following Israel's decision to build a new Jewish settlement at Har Homa in southeast Jerusalem.

Although no agreed date has been fixed to resume co-operation, officials said the meeting could help rehnild confidence between both sides. This is a task Mr Dennis Ross, the US special envoy, has set himself in separate meetings with Mr Benjamin Netanyahu, Israeli prime minister, and Mr Arafat after his return to the

region last night. The resumption of security co-operation, which entails sharing intelligence, is seen by the Israeli military as a crucial element for saving the peace process. Officials said the security co-operation between Israel and the Palestinians had "tended to zero" since March, adding it reflected the lack of confidence betwe That will undermine the entire process if a way cannot be found to resume the

co-operation," he said. In a bid to fill the security vaccum, the CIA has been more active in Israel since March but Israeli officials would not confirm if it was acting as a conduit for passing on information from the Palestinian-ruled areas of the West Bank and Gaza to Israeli intelligence.

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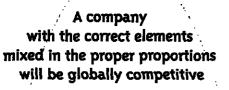
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"It is known that Israel and the US exchange information on a whole series of things, including possible terrorist attacks and on the understanding that the information does not go in any other direction," an Israeli official said. Military officials would not specify what kind of intelligence the CIA





The Sentrachem Group is a leading South African and international chemical corporation that is enjoying increasing success in the global marketplace.

Of the several elements which are key to the Group's performance, most significant is its clearly defined strategic focus.

'As a molecule builder for world markets. Sentrachem is intent on broadening its already well established international base.

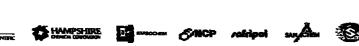
The company's portfolio is being balanced by a shift towards specialised value added products. This has resulted in sustained growth even during the down cycles that typify the industry.

Environmental and Social Responsibility issues have also been placed under the microscope. Sentrachem is an active participant in the Responsible Care initiative and has implemented a progressive social investment programme relevant to the development needs of

Conclusion? The Sentrachem formula is working. And it's one that augurs well for the future. Of both the company and all its stakeholders.

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US to send observers to Algerian election

western countries seem reluctant to do so.

Algeria has asked 40 countries to send observers, in addition to a team from the Arab League and the Organisation of African Unity. The observers are to work under a six-member United Nations co-ordinating team. They will issue two reports, one on the electoral campaign starting on May 16 and the other on the conduct of the vote on June 5.

The presence of credible observers, and in numbers fear for the security of that allow them to monitor the poll throughout the avoid rubber stamping an country, will put pressure on election they consider to be the Algerian government to part of a rigged process. The maintain transparency in elections are being held the election. A UN team now in Algiers has already asked the army cancelled an elec-

results. The US government is to Send observers to monitor is expecting at least 100 have died in the battle

Algeria's elections next observers on top of the Arab between Islamic militants month even though other League and OAU participants. Canada and Sweden are said to be willing to send But although western gov-

ernments have repeatedly called on Algeria to hold a transparent election, many countries have not yet agreed to take part. Discussions on observers are continuing within the European Union but most members, including France, the former colonial power, are leaning towards abstaining. While some governments

observers, others want to more than five years after

and security forces. The Fis is banned and excluded from this year's elections. And, in a constitutional referendum last November which the legal opposition said had

harder to tamper with tion Front (Fis) was on its

been rigged, the armybacked government has reduced the powers of the general assembly and boosting those of the president. The US believes that a fair and open poll will, in spite of the shortcomings of the political system, give a voice to people outside the old

power structure and may open the door to a long-term resolution of the conflict. A rigged election, on the other hand, would lead Algeria to long-term catastrophe because it would effectively close off the idea of any legitimate opposition, not only islamist.

for changes that will make it tion which the Islamic Saiva-Nigeria bombers strike again

By Antony Goldman in Lagos

Unidentified bombers yesterday struck at a military target in Lagos, Nigeria's commercial capital, in the fifth such attack since

Colonel Godwin Ugbo, a defence spokesman, said five soldiers had been injured in the blast, none of them seri-

spoke of panic, as what Coalition (Nadeco) and other appears to have been a groups have denied any

nated just as an army bus ssed the Yaba barracks. The authorities arrested

four people at the scene of the incident. No group has claimed responsibility but, in March, 15 prominent opponents of General Sani Abacha's government were charged with treason in connection with a spate of bombings stretching back to

remote control device deto- involvement in the violence, saying they wished to see change in Nigeria by peaceful, democratic means.

They say they are being used as a scapegoat to mask the government's failure to catch the real perpetrators of the violence. Army transport vehicles in

rush-hour traffic have been the targets of all the attacks since December. On each occasion casualty figures The National Democratic have been relatively light, prompting speculation about the bombers' motives.

there are rogue elements in the military intent on spolling plans to return the country to civilian rule by October next year, or that there is a high-level conspiracy to stem disunity within the elite as the transition gath-

Some observers also point the finger at officers alleged to be unhappy over their recent retirement

Government ministers insist hostile, foreign powers are involved.

Republic of Lei ry of State for Adjust

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Starting 8th May 1997 a complete set of hidding documents the form of a hunder's certified check in the name of the CDR

Bids must be delivered to the CDR headquarters on or before 12:00 km local time on West



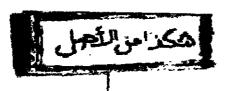
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HELLENIC TELECOMMUNICATIONS ORGANISATION S.A.

Condensed Financial Statements Prepared under International Accounting Standards for fiscal years ended December 31, 1996 and 1995 (in millions of Greek Drachmae)

		BALAN	CE SHEETS			
Assets	1996	1995	Liabilities & Shareholders' Investment			
Fixed Assets				<u>1996</u>	<u> 1995</u>	
Property and equipment	1, 436,254	1,325,658	Chambaldon? Investment	<u></u>	-	
Less Depreciation	(580,657)	(494,999)	Shareholders' Investment	21.6.400	200 400	
	855,597	830,659	Capital Paid-in-surplus	316,499 74,601	298,488 0	
			Legal reserve	36,753	29,356	
Investments	86,961	27,800	Retained earnings	189,743	101,294	/
Deferred taxes	59,605	53,300		617,596	429,135	
	35,003	J3,300		017,330	727,133	
Other non current assets	30,354	19,951	Subsidies, net of amortization	111,036	108,615	
Current Assets				-		
Accounts receivable	193,651	147,590	Long-term debt	120,972	123,783	
Materials and supplies	193,631	8,328	Reserves for staff retirement and other			
Due from State (principal shareholder)	13,358	0,528	employee benefits	153,145	138,591	
Offier current assets	41,089	<u>37,798</u>	Other long-term liabilities	23,941	24,379	
			Current Liabilities			
The water of the control	268,826	193,716	Bank loans and overdrafts	25,492	99,726	
	1,291,343	1,125,426	Accounts payable	41,510	47,709	
			Income taxes payable	59,828	44,069	
			Dividends	76,139	43,860	
			Other current liabilities	61,684	65,556	
			}	264,653	300,920	
en grant de la companya de la compa			1		-	
				1,291,343	1,125,426	
 In the control of the c		_				
STATEMENT OF OP	ERATIONS		MOVEMENT IN SHARE	HOLDERS'	NVESTMEN	T
	<u> 1996</u>	1995		1996	<u>1995</u>	
Operating revenues	679,484	593,033				
Operating expenses	(405,883)	(356,062)	Shareholders' Investment, January 1	429,136	345,233	
	273,601	236,971	Net profit for the year	171,806	138,765	
Time in the second seco	-		Capital Increase	18,011	0	
Financial net		(17,205)			_	
Other net	(5,934)	609	Paid-in surplus, net of share issuance expenses	74,601	0	
Profit before income taxes	264,937	220,375	Dividends	(75,960)	(54,860)	•
Income taxes	(93,131)	(81,610)	Shareholders' Investment, December 31	617,596	429,138	••
Net profit	171,806	138,765	=			

Note: OTE prepares and publishes financial statements in accordance with both Greek Statutory requirements and international Accounting Standards (IAS). The major differences between Statutory and IAS financial statements relate to the accounting of (a) deferred staff retirement and other employee benefits, (b) subsidies for fixed asset acquisitions, (c) compulsory revaluation of fixed assets and (d) deffered income taxes. The above financial statements have been audited by independant public accountants, whose report thereon includes an exception, as the development of OTE's fixed asset register for telecommunication equipment and installations has not yet been completed. The finalisation of the aforementioned register is in its final stages.

The Chairman of the Board of Directors

D. Papoulias

The Managing Director

P. Lambrou

The Director General Finance

Ch. Kazantzis

The Director of Financial Services J. Kartsonas

HELLENIC TELECOMMUNICATIONS ORGANISATION SA

THE SHAREHOLDERS OF THE HELLENIC TELECOMMUNICATIONS ORGANISATION S.A.

(REGISTRATION NUMBER 347/06/B/86/10) ARE HEREBY INVITED TO THE 45TH ORDINARY GENERAL ASSEMBLY (FISCAL YEAR 1/1/1996-31/12/1996)

Pursuant to the Law and the Company's Articles of Association Charter and following Resolution no 2507 of the Board of Directors, taken on 7/5/1997, the Shareholders of the Hellenic Telecommunications Organisation S.A. are hereby invited to the 45th Ordinary General Assembly, to be held on Thursday, 29/5/1997, at 12.00 hours, at Holiday Inn Hotel, 50 Michalacopoulou Street, Athens) to discuss and debate upon the following:

- Presentation of the Management Report drafted by the Managing Director and Audit Reports compiled by the Chartered Auditors and the Auditor of international repute, in respect to the annual financial statements of the fiscal year 1996 financial statements including the financial statements compiled in accordance with the International Accounting Standards.
- Approval of financial statements and reports for the fiscal year 1996.
- Approval of profit allocation.
- Acquittal of the Board of Directors and Auditors from any compensation liability for the fiscal year 1996, pursuant to Codified Law 2190/1920.
- Approval of remuneration paid to the members of the Board of Directors and determination of their remuneration's form.
- Approval of remuneration paid to the Chairman of the Board of Directors and the Managing Director and determination of their remuneration.
- Appointments of Chartered Auditors (two principal and two deputy auditors) and one auditor of international repute for the fiscal year 1997, pursuant to the provisions of Law 2257/94 and determination of their fee.
- 8. Miscellaneous announcements.

In order to participate in person or by proxy, in the said General Assembly, Shareholders shall, in conformance with the Law and the Company's Article of Association, deposit their share certificates with any Bank in Greece or abroad; the Consignations and Loans Fund or OTE's Treasury (99 Kifissias Ave. Maroussi), at least five (5) full deposit men share below the General Assembly namely by 29/5/1997. By the same deadline, Shareholders must have also deposited the Share Depositary Receipts as well as the proxy forms with OTE's Share Registrations Office, at 15 Stadiou Street, Athens.

By authorisation of the Board of Directors

D. Papoulias Chairman

Athens, 7-5-1997

Those at peril on the sea:

dry bulk carriers

'Mayday' call over bulk carrier safety | Vietnam in

Hundreds of 'forgotten seafarers' have died, but there is no consensus on how to reduce risks

carry ore, coal and world sink quickly if they carry such heavy loads, they take in water. Because they can go down in seconds even send out a "mayday" distress call.

The crews lost this way from dry bulk carriers - 561 seafarers in the past 61/2 years - tend to be the "forgotten seafarers" of merchant shipping, working under little-known flags and plying between distant and

But, though their crews may be invisible to most ople, the world fleet of 4,600 dry bulkers are the workhorses of the maritime world. And maritime safety experts are trying to reduce their alarmingly high losses. which are worse than in any other category of shipping.

The industry is trying to reach some agreement ahead of a meeting in London this month of the maritime safety committee of the International Maritime Organisation (IMO), the United Nations shipping agency. The eight-day meeting starts on May 28, but the portents are not good.

crews and operate far away reached last year. And even between ports and across seas whose names mean in favour, such as Japan, are nothing to the average persays Mr William O'Neil, IMO general secretary. "Why should we expect that person to care when one

The problem has puzzled the international shipping community for the past decade. Rapid increases in the size of these vessels has raised questions about their design, while rough treatment when they are being loaded and unloaded in port places heavy strains on their

of them disappears?

But, partly because of the lack of public pressure for safety improvements, finding a solution has been tricky - creating friction between regulators, shipowners and technical

If this month's maritime safety committee meeting can reach agreement, it will make recommendations to the IMO's full assembly in

But there is likely to be hard bargaining before then. Opposition from the Greek government, representing owners, who claimed they the world's largest shipowning community, and others plained that the association

ulk cargo ships which strange flags, have foreign prevented agreement being countries which are broadly continuing to argue over

Intercargo, the Interna-tional Association of Dry Cargo Shipowners, has been cautious about proposals for change, pointing out the need for measures which are both practical and commercially acceptable.

Tempers have been roused by what some in the industry regard as precipitate action by the classification societies - such organisations as Lloyd's Register whose experts regularly survey vessels for their seawor-The International Associa-

tion of Classification Societies, which groups the 13 largest, unveiled proposals in December to strengthen the bulkhead or partition dividing the first and second holds on dry bulk carriers. The association's research had found that if seawater penetrated the first hold, the bulkhead could collapse and the vessel could founder very quickly.

This annoyed the shipshould be between \$75,000 and \$200,000 per vessel. were not consulted and com-

1991 93 95 97° To May

had failed to produce any costings for its plans. Some Mr James Bell, the associafeared the costs could run tion's permanent secretary into millions of dollars for "But we had been asked to clarify the position and we since calculated the cost thought we had better do

something fast." The classification societies "What really got the had already introduced a industry cross was that we more rigorous method of inspecting dry bulk carriers, known as the enhanced survey programme, in 1993. Until February this appeared to be working because no ship which had undergone such a survey had been lost.

But earlier this year disaster struck. Within a few days of each other two bulk carriers, the Leros Strength and Albion Two, both of which had undergone enhanced surveys, went down with the loss of 45 lives. This has strengthened the case for structural improvements to

Although the cost per vesel may not appear large, shipowners are reluctant to spend on a sector where freight rates are under pressure. Intercargo had been forecasting a slight improvement this year but rates have fallen by a fifth over the past two months and expectations for the year are now more restrained.

How the shipping industry resolves the problem of bulker losses will be a mea-sure not only of its approach to the well-being of employees but also of its collective ability to negotiate and implement safety improvements.

Charles Batchelor

short-term. But it could cost

the US government \$24bn a

year, through the loss of tax

revenue generated by

Another report, released

yesterday by the National

Manufacturers (NAM), said

the US provided the least

official export credit of any

industrialised country.

Japan provides 10 times

more support; France six

Eximbank financed sales.

Association

times more.

\$3.5bn plan for telecoms

Vietnam needs investment of \$3.5bn to develop its telecoms infrastructure and says it is willing to share revenue with foreign companies to help finance the ambitious

Mr Dang Dinh Lam, director general of state-owned Vietnam Post & Telecommunications (VNPT), said about 60 per cent of the funds needed would come from "international resources," primarily foreign investment, foreign bank loans and the issue of a bond on the international capital market.

However, bankers and economists say Hanoi will be hard pressed to meet its targets, given scarce local funds and the reluctance of foreign banks to lend large sums to VNPT until it makes its balance sheet public.

Nevertheless, Vietnam has merged as one of the most promising telecoms markets in south-east Asia, attracting scores of operators and equipment suppliers.

The plan calls for the number of telephones to be raised from 1.5 per 100 people to five or six per 100 by 2000 through the installation of fixed line and wireless local loop networks. About \$1.8bn of the foreign

funding planned is already accounted for under four contracts to install 900,000 land-based telephone lines in Ho Chi Minh City and Hanoi. They are expected to be approved by the VNPT board this week and involve Telstra of Australia, France Télécom, NTT International of Japan and Cable and Wireless of the UK.

Mr Lam would not say what size of bond VNPT was considering, but Vietcombank, the country's biggest state-owned bank, is working on a \$50m issue. Bankers say VNPT's is likely to be roughly that size and would come once Vietnam had

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issue, expected in early 1998. in addition, between \$120m and \$150m would come from government development aid, mostly from Japan and France, to be used for rural

Preparations were also being made for the launch of Vietnam's first satellite, a \$100m' project in which US companies Hughes and Loral Space Systems, Matra Space and Alcatel of France and Japan's NEC are interested.

VNPT has so far relied largely on supplier credits to finance expansion, resulting in the acquisition of many types of often incompatible equipment. Mr Lam said VNPT planned to clamp down on such haphazard sourcing. That would draw. VNPT away from supplier. credits and create emphasis on foreign bank financing. However, bankers say VNPT must disclose financial information before any significant sums are granted A culture of secrecy pervades all state-owned enter-

prises in Vietnam. "People would be prepared to lend them figures of up to \$25m, but when it's \$50m or more, that becomes a problem," said one foreign telecoms company.

Foreign companies are also keen to see how VNPT plans to tackle market openjoins the World Trade made a debut sovereign Organisation.

Eximbank and Opic face survival test in US

By Nancy Dunne in Washington

The US Export-Import Bank, which finances foreign sales, and the Overseas Private Investment Corporation (Opic), which provides investment insurance and guarantees, today face an important hurdle in their A House of Representa-

tives banking subcommittee is to draw up legislation. proposed by the Clinton administration, to re-authorise Eximbank for four more years and Opic for three. The chances of the two

institutions winning reauthorisation are improving following efforts by US business the efforts which have 'produced a substantial



change in opinion," accord- been not the opposition but

Edmund Rice, executive "Our biggest problem has director of the Coalition for

But armed with new data

Exports, which includes

Employment

about export-dependent companies in congressmen's home districts, the lobbyists say they have begun to convert both Eximbank and Opic opponents and fence-

Earlier this year Eximbank and Opic became the targets of an unlikely coalition of liberal Democrats and Republican conservatives committed to reducing government involvement in Led by Mr John Kasich,

the Republican head of the House budget committee, the coalition put Opic high on the hit-list of a "dirty dozen"

of providing "welfare" - the US "trade arsenal" might unnecessary government save \$800m in the subsidies that distort investment decisions - for big cor-

However, two recent reports have helped turn the tide in stating the case for retaining the agency and Eximbank. One report, released by the Economic Strategy Institute, a Washington-based think tank, disputed the notion that Eximbank duplicates private sector activities at taxpayers' expense.

Eximbank's primary functions are "to neutralise aggressive, foreign, exportcredit subsidies and to furnish prudent export financing when private funds are not available," it says.

"Pricing for investment insurance offered by Opic often ranges between two to four times as much as that being offered by similar agencies in Japan, Germany, France and Britain," the

Removing the agency from NAM report said. Targeting the little man in Kazakhstan

Last year. Ablaikhan Samatdin, a fruit juice merchant in Kazakhstan, was finding life as a small businessman very hard. For the past year his company, Parasat-Samex, had been charged exorbitant fees by the local state-owned processing factory to turn imported concentrate into juice. Mr Samatdin wanted to set up his own factory, but lacked the finance and expertise to do so.

Then last July, along came Mr Gerald Kelly, a volunteer and currency speculation." retired business executive, with a firm handshake, a commitment to the small businessman and an unusually precise knowledge of food processing machinery.

Mr Kelly came to Kazakhstan under the umbrella of the International Executive Service Corps, an organisation funded by the US Agency for International Development (USAid), which sends volunteer retired executives to developing countries to spread the gospel of western business practices.

Mr Kelly's arrival resulted from a shift in thinking by development economists throughout the world towards SMEs, or small and medium enterprises. As the tide turned in favour of these enterprises, central Asia became a magnet for hundreds of millions of dollars designated for compa-nies like Parasat-Samex.

The Asian Development Bank announced a \$100m programme last year in Kazakhstan, the European Bank for Reconstruction and Development in February granted a \$120m facility to Uzbekistan for SME lending. In addition, USAid also funds several projects with the same goal, such as the Central-Asian American Enterprise Fund which has investments in 76 businesses in Central Asia.

"Small business creates GNP, but it also creates hope, jobs, and the confidence to build democracy," said Mr Kelly who spent most of his career in the far east as an executive for Bea-

and Mr Samatdin did was to put together a business plan, outlining the goal of importing high-tech Swedish equipment to make top-quality fruit juices. "We made up 10 copies of it and went fishing," said Mr Samatdin. At first, there weren't many bites: Kazakhstan's banking system is in turmoil as a result of payment arrears that total half of the country's gross domestic product. "No one makes enterprise loans any more, the banks here only do trade finance said one western economist.

Then an announcement appeared in the local business newspaper to broadcast that the first tranche of the \$100m ADB loan targeted at small businesses was being disbursed.

"I said to my secretary: 'Get me a list of the surnames of all the people in the credit department at Eximbank'," said Mr Samatdin, referring to one of the local banks through which the ADB credits were to be granted. A few months later, a \$1.35m loan was signed, which, together with some financing from Tetra Pak, the equipment manufacturer, was enough to buy a building and equipment to produce 10,800 litres per day of first juice.

The macro-economic aspect of interest in SMEs stems from a new attention to the concept of scale, after it became apparent from Russia's experience that privatisation alone would not create a competitive market. Many Russian state-owned monopolies were privatised whole, and remain monopolies, one reason why prices in Russia are among the world's highest "The small and medium

enterprise sector is completely missing in Central Asia as well as the rest of the CIS," said Mr Charles Coe of the ADB. He stressed the importance of the sector because in a typical western country, half the GDP is generated by SMEs, which also form the basis of another western phenomenon: a midWORLD TRADE NEWS DIGEST

Tax hits car sales in Japan

A rise in Japan's consumption tax hit sales of imported By Charles Clover in Almsty The first thing Mr Kelly cars in April, the first decline for four months, the Japan Automobile Importers' Association (JAIA) said. Sales of imported cars fell 38 per cent in April, following sharp increase in March before the anticipated tax rise from 3 per cent to 5 per cent. Sales of domestically produced vehicles fell for the same reason, but the decline was far less steep at 13 per cent. The JAIA said imported cars suffered more because of their higher prices.

April also saw the first decline in foreign car imports, excluding those made by Japanese transplants, since 1993. Overall vehicle imports from the US declined 47 per cent while those from Germany fell 29 per cent.

The JAIA is forecasting a rise in vehicle imports of just under 5 per cent in the full year. However, fierce competition between Japanese carmakers, price reductions, a surge in the production of recreational models and the weaker yen are fuelling concerns that imported cars could suffer a decline in sales for the full Michiyo Nakamoto, Tokyo

UK backing for China bridge

Britain's Export Credits Guarantee Department (ECGD), its export credit agency, said yesterday it would back a contract won by Kvaerner Cleveland Bridge to build a bridge over the Yangtze river in China. The Jiangyin Suspension Bridge, near Nanjing in Jiangsu Province, will be China's longest bridge and the fourth longest in the

The ECGD will guarantee a loan of \$89.3m to China Construction Bank to finance the project. The loan is being arranged by BZW, Barclays Bank's investment banking arm, along with the Bank of China, Société Générale, and the Standard Chartered Bank. Britain's Overseas Development Administration is also

making a grant to support project management, training, environmental and social studies, and monitoring. The project involves designing and erecting the superstructure for a six-lane steel suspension bridge with a span of 1,385 metres. Foreign Staff, London

Balfour wins power line deal

Balfour Beatty, the construction arm of the BICC group, said yesterday it had won a £75m (\$121m) contract with the Indonesian electricity utility PLN to design and install overhead transmission lines. The 400km-long lines will be built in two sections and will run from a power station under construction at Paiton to Kediri and Klaten. The work will start soon and is scheduled to finish in 22

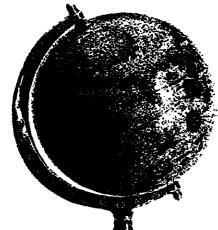
months. The World Bank will fund the contract. Balfour eatty Sakti, a Jakarta-based joint venture between Balfour Beatty and a local contractor, will take charge of the construction and administration. Balfour Kilpatrick, a subsidiary of Balfour Beatty, will manage the project and provide technical support.

Balfour Beatty said the venture reflected a continuing strategy to win non-UK contracts. Michael Peel, London

Thais to buy Indonesian gas

Thailand yesterday agreed in principle to buy natural gas from Indonesia's Natura project and to acquire an 11-15 per cent stake in the project, Mr Korn Dabbaransi, the industry minister, said. Thailand would buy gas from 2005, taking 500m cubic feet per day in the first two years and later increasing its volume to 1bn cubic feet per day. The minister said the gas price had to be negotiated further but Thailand had made it clear that it would buy at platform prices.

touch.



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with none of the local dissonance. The only multi-branch Turkish bank awarded longterm A rating three years in a row by Capital Intelligence. The highest rated emerging market bank by Thomson Bankwatch. The Turkish bank whose high regard among international financial community generated \$1 billion in funding facilities in 1998 Bank that has completed several asset backed

securitization programmes with maturities 5-7 years. The Bank that was selected as the "Best Bank of

Turkey" by Euromoney for 2 consecutive years. Then again, if you think your correspondent in Turkey should also have local strength, who could be a better choice than a bank that handles 9.0% of Turkey's exports? A bank that handles 4.2% of Turkey imports. A bank whose foreign currency transactions rotaled \$16.5 billion in 1996. A correspondent bank with global standards and local power.

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UK NEWS DIGEST

Factory output

drops in March

Manufacturing output in the UK dropped unexpectedly in

March, confirming that the strength of sterling is eating

away at the recovery in industry. The City of London reacted positively to the figures, seen as slightly lessening

the chances of another interest rate rise in the short term.

Official data showed yesterday that overall industrial pro-

duction compared to February fell by 0.1 per cent. Manufacturing output – which excludes mining and energy

production - also dipped by 0.1 per cent. Most City fore-

0.2 per cent and 0.6 per cent. Economists said the weak-

casters had predicted increases in both figures of between

ness in industry gave a clue as to why Mr Gordon Brown,

the chancellor of the exchequer, raised rates by only 0.25

of a percentage point on Tuesday. The figures backed Mr

Brown's reference to the "disappointing levels of manu-

growth in industrial activity to slow. Industrial output in

Annual factory output growth slowed to 1.4 per cent, com

pared to 1.7 per cent previously. "These figures serve as a timely reminder that industry needs more rises in interest

Loynes, UK economist at HSBC bank. Mr Andrew Cates.

rates - and the further rise in the pound they could

prompt - like a hole in the head," said Mr Jonathan

economist at UBS, said the fall in output showed the

strong pound is "playing a powerful role in restraining demand-led inflationary pressures". Richard Adox

Richard Adams

the 12 months to March increased by 0.5 per cent, compared to a 1.3 per cent gain in the year to February.

facturing activity" after he announced the rate rise.

March's downturn also caused the annual rate of

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Political Editor The new UK government is to rush an emergency education bill through the House of Commons to prevent private schools offering of constitutional legislation. places under the assisted places scheme, which is being phased out.

Next week's Queen's Speech. which marks the formal opening of parliament, is also expected to contain plans for immediate reform of the private finance initiative to limit its scope in the National Health Service.

today to plan the government's much of this constitutional agenda

Margaret Beckett is

playing it long. The

new President of the Board

of Trade has inherited a

deskfull of decisions left

waiting to be made by her

Conservative predecessor,

Mr lan Lang. And the

Labour manifesto has com-

large volume of complicated

take her time. 'I don't like

being rushed into things,"

she says - a view repeated

several times during an

festo promises is a tougher

competition law, something

which is generally agreed to

be long overdue. The timing

depends on the overall legis-

Beckett is certainly keen to

the current weak restraints

Ideally, she would like to

using Article 86 of the

Treaty of Rome as a model,

But this would be rather

more controversial, and she

get the legislation moving.

unavoidable is the minimum

wage. Why has this been

wage and the social chapter

to be seen as industry issues

It was an emotional moment

veteran Labour leftwinger,

Boothroyd on her re-election

as Speaker of the House of

By George Parker

for Mr Tony Benn, the

as he rose to his feet to

congratulate Ms Betty

Commons. "I have not

government backbenches

since August 1 1951," he

Nothing about the

After 18 years of .

MPs were clearly

post-landslide House of

Commons was familiar.

Conservative rule, Labour

disoriented as they headed

Major, the former premier,

addressing Mr Tony Blair as

"the prime minister". There

members for Ms Boothroyd

to identify, many of them

Westminster clutching a

and listened to Mr John

were a record 262 new

wandering around

for the government benches,

spoken from the

said.

the Treaty of Rome.

She would like to replace

High on the list of mani-

interview yesterday.

policy changes.

press ahead

New head of

the long view

Labour's Margaret Beckett

will avoid acting prematurely

he Labour party's Mrs tions matters", a view with

mitted the Department of tray, notably the takeover by

Trade and Industry to a Bass of the Carlsberg-Tetley

But Mrs Beckett plans to Monopolies and Mergers

lative programme, but Mrs to work through all the

on cartels with a stronger where she stands on regime based on European whether public interest con-

Union law in Article 85 of siderations should be given

extend this approach to hear the views of a review

such as predatory pricing, former director-general of

gives the impression that ger to materialise. Mrs

she might be prepared to Beckett says she wants the

hold back here in order to regime to become much

One policy initiative Otherwise, there will be

where controversy will be growing public concern

made the responsibility of which is what can happen

her department? "Because when a powerful utility and

the prime minister wants a lone regulator find them-

issues like the minimum selves constantly at odds.

concurs.

which she, unsurprisingly,

priority but the timetable is

not yet nailed down

Here again, legislation is a

More urgent are the deci-

sions that have to be made

about merger proposals

already waiting in the in-

brewing business. A report

on the proposal by the

Commission has been gath-

ering dust at the DTI since it

was completed in March,

involve what would be per-

haps the most decisive move

yet in the reorganisation of

Although she admits the

timetable is fairly tight, Mrs

Beckett is unfazed. She plans

papers carefully, and will

not feel bound by previous

She is not yet ready to say

greater weight in takeover

policy. Here she is waiting to

the Office of Fair Trading.

The new government's pol-

icy on regulating the priva-

tised utilities will take lon-

more open and accountable.

about what she describes as

"personality regulation" -

She suggests that over

and not just industrial rela- fewer regulators - it might Michael Heseltine, a former guessing people in their

the UK beer market.

and any agreement would

trade takes

Education bill to be rushed through will be at least two education bills. a crime bill, legislation paving the way for a national minimum wage, a bill to set up an independent foods standards agency and a raft

However the government's hopes of securing speedy passage of bills to set up devolved parliaments in Scotland and Wales was dealt a blow when Ms Betty Boothroyd, the Speaker, said she felt these measures should be debated on the floor of the Commons.

When preparing the legislation The cabinet meets formally in opposition, Labour had hoped

first 18 months of legislation. There could be discussed in committee so thousands and millions of Labour changes to the social security that there would be time to debate supporters that put you here." other more populist legislation on the floor of the House.

The government plans emergency move to prevent further assisted places in schools

Parliament assembled yesterday for the first time since the general election, to re-elect Ms Boothroyd as speaker.

In a mid-morning meeting of the parliamentary Labour party - open for the first time to press observers - Mr Tony Blair, the prime minister, warned the record 419 Labour MPs against "behaving with indiscipline and thoughtlessness".

"Remember, as you speak, that you owe something to those determination to carry out radical

Unfazed: Margaret Beckett intends to work carefully through the papers in the in-tray

president to which she

make things happen.

say," says Mrs Beckett

firmly. She would prefer to

be judged by her actions.

rather than by grand

And she is not hunting for

newspaper headlines. "I

don't care if people say I am

the most boring President of

the Board of Trade there has

ever been if I can contribute

to the success of British

many were forced to sit in

ehind the Speaker's chair.

Another mark of the new

Commons was the presence

Meanwhile, the Liberal

capture the opposition front

bench below the gangway.

Conservatives, who had

chamber to bag their places

with pieces of card. were

Edward Heath, the former

minister, arrived to claim

his seat below the gangway

- the traditional seat of the

Father of the House - the

Liberal Democrats made

way. "We are delighted to

have him on our benches,"

Democrats, whose ranks

have been swelled to 46

MPs, plotted a coup to

They marched into the

their claim. Veteran

already been into the

furious. But when Sir

Conservative prime

chamber at 1pm to stake

of 120 women MPs.

upper galleries or stand

Richard Lambert

declamatory statements.

attaches importance. She

says Labour has benefited

greatly from its consulta-

One initiative will be

panies get around obstacles

The second point of

emphasis is the depart-

ment's responsibility for sci-

ence and technology, which

has been upgraded to have

All this seems fine but

leads to the question; what

Mrs Beckett has no doubt

that it has a part to play in helping the UK achieve eco-

nomic success. She wants to

work in partnership with

1940 seeing how many of

back," said one.

your friends have made it

The main problem facing

the Labour party was where

its own Minister of State.

is the DTI actually for?

tions with business.

to overseas trade.

'I don't care if

people say I am

the most boring

Trade there has

President of

the Board of

make sense, for instance, to

merge gas and electricity

into a single energy regula-

tor. But here again, there

stress two features of her

responsibility for policy-making on competitiveness,

time there will probably be a role established by Mr industry, without second

All sides do battle for seats of power

Bit of a squeeze: Betty Boothroyd and Labour MPs on the packed Commons benches

the sizes of their respective

Conservatives were in a

state of shock. "This is a bit

useful video produced by the swap gossip and compare

swings.

House authorities on how to

be an MP. The new House

had assembled formally to

re-elect Ms Boothroyd. But

MPs were more concerned to

Mrs Beckett is anxious to

One is that it has regained

ever been

will no rapid change.

He urged them to "remember that you are not here to enjoy the trappings of power but to do a job

NEWS: UK

and to uphold the highest standards in public life". In spite of his calls for unity, a quartet of hardline leftwing MPs -Mr Dennis Skinner, Mr Bill Michie, Mr Dennis Canavan and Mr Ken Livingstone - immediately attacked the government's decision to legislate to transfer control over

the setting of interest rates to the Bank of England. Mr Blair demonstrated his

system by giving Mr Frank Field the number two minister in the social security department - the formal title of minister of state for welfare reform.

Mr Field's specific duties include long-term planning and "a fundamental expenditure review with an overview of work incentives, poverty and disability benefits.

Mr Field and Ms Harriet Harman, the social security secretary, joined the first, rushed, meeting of the cabinet committee set up to implement Labour's welfare-to-work programme.

ousted

By James Blitz, Political Correspondent

Mr William Hague, the organisation and tactics.

Defvine taunts from some MPs that he had "dithered" paigning.

Announcing his decision Mr Hague admitted that the learn from the way Mr Tony

Mr Hague said: "I am not planning to do a Peter Mandelson (who masterminded Labour's campaign] but I am planning to modernise our approach to com-Conservative Board of Trade areas of competence, and to

identify those areas where government is needed to Mr Hague, a rightwing politician with strongly Euro-And what about her role? sceptic views, was repeat-Mr Heseltine, her predecesedly interrogated over why set up a new exporters' claimed that he would be be the junior running mate forum, intended to help com- ready to intervene "before to Mr Michael Howard, the breakfast, lunch and dinformer home secretary ner".
"That was a silly thing to Beckett only to back out of the pact

at the last minute. Mr Hague said if there had been any "misunderstanding or bad taste in the mouth from discussions with Mr Howard, then he was "happy to take the blame". Asked whether the move illustrated his inexperience, he said: "By my age, William Pitt [Britain's youngest prime

death bed." The upbeat launch was in marked contrast to the performance of Mr Stephen Dorrell, the former health secre-

While Mr Hague was able to muster nearly a dozen backers from the parliamentary party, Mr Dorrell was forced to admit that he had just two MPs supporting him Mr David Faber and Mr Simon Burns - and one member of the European

Mr Dorrell, who is on the

The contest will take place the party's 1922 committee, which manages the election Sir Archibald Hamilton, a former minister, yesterday announced he would be standing as chairman.

up to lead party

youngest member of the last Conservative cabinet, yesterday waded into the battle for party's leadership, pledging root-and-branch reform of

fought the election.

learnt from us in their policies. We have a great deal to learn from them in communicating through the modern media." he said.

municating with the coun-

Race hots

before deciding to stand, the 36-year-old MP promised "a fresh start" for the party and a new approach to cam-

to stand, in a restaurant near the House of Commons. Conservatives had much to Blair, the prime minister, "New Labour may have

minister] was nearly on his

tary, who also entered the fray yesterday.

Parliament who has no vote in the contest anyway.

left of the party, did not hold a press conference and instead launched his campaign by distributing a circular to Conservative MPs. It is understood that Mr Dorrell's campaign office has one telephone. It was noted that he could not cite Mr Peter Luff, the MP for Worcester, in the English Midlands, as a supporter - even though he is known to be a close friend.

once Conservative MPs have selected the executive for

First test for competition issues Two train operating companies are in dispute in the first

test of competition issues on the newly privatised railway. The rail regulator, Mr John Swift, is expected to rule shortly on whether South Wales & West, owned by Prism Rail, should be allowed to launch through services from south-west to north-west England from June 1 ~ in competition with existing trains run by Virgin Cross Country

The regulator has imposed tough restrictions on new services which compete with existing trains to allow the new private operators to become established. Virgin, which says the dispute over the new services pre-dates its acquisition of the Cross Country network from British Rail, the former state operator, said Prism was only launching the new trains to win a share of passenger rev enues. Prism denies this, Under the revenue allocation system inherited by the private companies from BR, train operators are allocated revenues according to the number and timing of trains rather than the actual number of passengers. The dispute has already been considered by the arbitration committee of the Association of Train Operating Companies, which ruled in favour of Virgin. But Prism has appealed to the rail regulator for a final ver-Charles Batchelor

■ CHURCH OF ENGLAND

Report reveals assets at \$4,821

The Church of England has transformed itself from a failed investor in property to a successful investor in equities, the annual report from the church commissioners. who manage the church's investments, reveals. At the end of December, net assets stood at £2.976m (\$4.831m), a figure that in cash terms is marginally above the previous peak of £2,932m in 1989. That was just before what a House of Commons committee branded as "foolish" property investments during the 1980s, which produced an £800m loss and a financial crisis for the church.

Big changes to pension arrangements, approved by par liament just before the general election, have brought liabilities back into line with assets, Mr Christopher Daws, the commissioners' finance secretary, said yesterday. The changed investment performance since 1994 came as the commissioners took advantage of the strengthening prop erty market to dispose of £700m in property, investing in the rising equities market.

PENSION FUNDS

Warning over tax breaks

The National Association of Pension Funds will today warn Mr Gordon Brown, the chancellor, of the dangers of removing tax breaks enjoyed by pension funds. At the association's annual conference in northern England Ms Ann Robinson, director-general, is expected to say that the association has "deep concern" about the government's projected tax policies. She will warn that reducing or abolishing the advance corporation tax credit enjoyed by pension funds and other non-taxpaying recipients of dividends would be a "serious mistake". The association is concerned that Labour's pledge not

to increase income tax rates means it will have to increase other taxes. An association official said yesterday: "We are getting a lot of concern from members and we are going to go flat out to try to ensure it does not go ahead." Dividends paid to pension funds are exempt from tax because income is taxed when it is received. The association believes Mr Brown is considering reducing or abol ishing the 20 per cent tax credit on dividends in his summer Budget following the 5 percentage points cut implemented in 1993.

■ NORTHERN IRELAND New impetus urged in peace talks

Mr John Bruton, the prime minister of the Republic of Ireland, yesterday called on Labour to launch a series of confidence-building measures in Northern Ireland to kickstart the faltering peace process. Mr Bruton, who will meet Mr Tony Blair for the first time as prime minister today, highlighted the issue of IRA prisoners as a vital step in making "a new beginning". `

He urged the new Labour government to show "a sensitivity to the concerns of prisoners" by transferring as many inmates as possible to prisons close to their fami-

In a speech at Oxford university last night, Mr Bruton also called on Mr Blair to implement the North report on sectarian marches in the immediate future. He described the report as "one of the most important confidence-build ing measures in Northern Ireland" replacing "confrontation on the streets" with a "consensual approach". He said he would offer Mr Blair today the whole-hearted co-operation of the Irish government in revitalising the peace talks which resume on June 3. Richard Wolffe

■ UNIT TRUSTS

Hybrid investment vehicle launch The launch of the first UK open-ended investment com-

pany was announced yesterday by fund manager Global Asset Management after years of regulatory wrangling and delays. It is set to be the first of many. The Association of Unit Trusts and Investment Funds believes that the Oeic – a hybrid of a unit trust (equivalent to a mutual fund) and an investment company – will eventually come to dominate the £141bn (\$228bn) unit trust industry. Mr Philip Warland, Autif's director-general believes that Ocics will attract a "considerable flow of funds from overseas investors in the coming months and years". Unlike unit trusts. Oeics are already well established in mainland Europe. But fund managers are more sceptical about how well UK Oeics will sell to overseas investors. UK Ocics will pay dividends net of UK tax, unlike offshore funds which pay income gross.

Contenders line up for Bank interest rate team the government. Mr Brown has for a full-time position with the a committee of independent eco-

like being at an RAF base in to put its 419 MPs. With the

By Richard Adams, Economics staff

The Bank of England's credibility in fighting inflation and setting interest rates will depend on who fills the seats on its new monetary

policy committee. in his reforms of the central bank, announced on Tuesday, Mr Gordon Brown, the chancellor (finance minister), handed over the task of fixing UK base rates to the

committee people, chaired by the governor the committee will be appointed by tive position with Goldman Sachs was one of the first "wise men" on and overseen by a reconstituted people, chaired by the governor

Court of the Bank of England. The role of the Bank's present deputygovernor, Mr Howard Davies, will be shared. One deputy-governor will be responsible for financial stability and a second for monetary policy. Both sit on the committee.

A further two members of the committee will be appointed from within the Bank of England: Mr Mervyn King, the bank's economist and executive director responsible Plenderleith, the executive director

George on Tuesday said: "They will into the position of governor. If he be recognised experts."

bers is Mr Gavyn Davies, chief deputy-governor posts. Mr King is economist and partner of Goldman also a candidate for deputy-gover-Sachs, the US investment bank. Mr nor, and would be a future con-Davies is close to senior members tender for the governorship. of the Labour party, including Mr Tony Blair, the prime minister, and London Business School, who was for monetary policy, and Mr John has been a strong supporter of giv- last year made a peer by the ing the Bank responsibility for Labour party, leads the list of canommittee.

This will be composed of nine responsible for market operations. interest rates. But Mr Davies may didates for one of the four govern-strong contenders.

The remaining four members of the tempted to give up his larger to the four govern-strong contenders.

does join the committee, he is Top of most lists of likely mem- likely to be appointed to one of the

Professor David Currie of the The remaining four members of not be tempted to give up his lucra- ment-appointed posts. Prof Currie

given few hints about who will be Bank. What may tempt him is the nomic advisers appointed by Mr appointed, but his letter to Mr possibility of eventually moving Norman Lamont, the then chancellor. in 1992.

Professor Charles Goodhart, adviser to the Bank until 1980 and now professor of banking and finance at the London School of Economics, is also tipped.

Mr Michael Saunders, an economic analyst with US investment bank Salomon Brothers, and Mr Neil MacKinnon, chief economist at Chase bank in London, are also

Samuel Brittan, Page 12

A hand-held laser pen could reduce the time needed to clean paintings, says Bill Hunter

New light on old oils



nouses L.S. Lowry's "matchstick" paintings, scien-tists are designing a revolutionary

laser that could stoke up the debate in the art world on the cleaning and restoration of old paintings. The idea is light years away

from the popular image of lasers as Star Wars weaponry. The team at Salford University in northern England believes that by the early years of the next decade, once the research and design is complete, the technique will offer an alternative to the swahs, scalpels and solvents used to clean oil paintings.

Operating at the click of a mouse, the computer-controlled laser machine will clean paintings using ultra-violet light to scan the canvas. The process will also remove old varnish only a

Sudden impact: aircraft could be protected by the material

Only a short walk few microns thick, along with the from the UK art dust and debris of centuries. The project is led by Colin Whitehead and Allan Boardman, professors at the university. assisted by a steering committee with representatives from the Tate Gallery, the Courtauld Institute of Art, North West Museums Service at Blackburn, north-west England, and the National Museums and Galleries on Merseyside.

The target date for building the

first prototype is 14 months from now. Whitehead, who holds the BNFL chair at the university, expects to see by then what he describes as a hand-held laser pen ready to use on oil paintings. The first laser prototype, which was Whitehead's idea, will remove the varnish layer covering an area half a centimetre square without damaging the art work underneath. The operator will work across the canvas to complete the cleaning operation. The low-temperature laser



molecules in the varnish, turning them into a vapour and sucking the debris into a nozzle on the

pen in one operation. The process could be carried out in a few hours, compared with the weeks or months needed for existing methods. Whitehead and Boardman, head of the physics department, believe the technique will not only clean the canvas but will restore beam works by disturbing the the pigmentation of the oils

to their original condition. Whitehead, who convinced BNFL that the project deserved a £120,000 grant over two years, compares the process to medical corneal sculpting. "If people are prepared to trust their eyes to laser treatment, as I have done, we hope they will be equally happy to allow the same techniques to be used on their valuable paintings," he says.

"Before then we have to prove

to the point where we are able to demonstrate that it is totally safe and much better than the old methods." Or, as Boardman puts it: "We do not intend to go down in history as the people who zapped the Mona Lisa."

Once they have reached the stage when they can confidently demonstrate that the system is completely safe and user-friendly, the commercial implications could be significant.

In the next few months one of the steering committee experts will visit the auction rooms to bid for a faded old painting.

The unknown work, probably by a long-forgotten artist, might become as famous as a Monet, Matisse or Titian when it is used as the test bed for the proces

One of the experts watching the work with keen interest is Stephen Hackney, head of conservation science at the Tate. Laser cleaning, he says, offers the possibility of precise control within tolerances much less than the thickness of a varnish layer. But the process has some limitations.

"Although the beam is very accurately controllable it does not, as far as we know, help the operator to discriminate between the layers," says Hackney. "The operator must know with greater accuracy how far the cleaning action has penetrated towards the original surface of a paint-

More work needs to be done, he says, to assess the usefulness and drawbacks of laser systems in conservation before they can be used on important works of art.

The first article in this series on lasers appeared on April 24

'Black box' snaps screen activity

The aviation industry has been using "black box" flight recorders for years, but now there is an equivalent for computers. DB Research of the UK has developed the DSA-25 digital screen archiver, which periodically takes a "snapshot" of the computer's screen to monitor activity, recording up to two years of data on two

Fraud prevention is the most striking area of application, says DB founder Bill Mullarkey, although it could equally be used for protecting intellectual copyright. It is designed around a compression

Worth Watching · Andrew Baxter



Microspheres offer one-shot vaccines

Researchers at Genentech, the US biotechnology company, hope to make vaccinations a one-shot affair with a time-release capsule, Marjorie Shaffer writes.

The capsule would release antigens, the proteins from bacteria and viruses used to invoke an immune reaction. mimicking the time interval between booster shots. The proteins would be encapsulated in microspheres and released as their tiny polymer bags degraded

"We think the technology is applicable to any of the subunit otein vaccines, like tetanus and diphtheria," says Jeffrey Cleiand, a Genentech researcher. It would be a big advantage in third world countries where repeat visits to clinic are often difficult. In animal tests, a single injection of microspheres

released pulses of antigen, invoking a similar response as repeated immunisations. Genentech: US, tel 4152251000: fax US. 4152252021

optical disc drives.

algorithm developed by DB which is claimed to be five times more powerful than the maximum standard available Premier Sales | DB Research: UK, tel (0)151 9320090; e-mail hlackbox(apsl.mersinet.co.uk

Fire blanket covers an entire house

Looking for a way to protect your home from forest fires? Consider a giant fire-resistant blanket, Gabriele Marcotti writes.

David Hitchcock, an Ohio-based inventor, has developed the Home Fire Shield, an enormous blanket that folds away neatly into a small box fitted into the roof of a building. It is connected to a computer linked to infrared and ultraviolet sensors located at the perimeter of the property. When the sensors detect high temperatures from one direction they report back to the computer which deploys the blanket.

Weighted projectiles are aunched from the roof of the house, stretching the blanket out over the entire building. Hitchcock is looking for companies to develop and narket his prototype. Home Fire Shield: tel US 2169635494: http:// www.catalog.com/conceive wildfire; e-mail: djh1@ix.netcom.com

Exploring cause of language disorder

Between 3 per cent and 6 per cent of children who are otherwise unimpaired find it hard to speak, or to understand what is said. This is known as specific language disorder.

Research by Beverley Wright and colleagues at the University of California, San Francisco, indicates such children may have a hard time hearing the differences between successive speech sounds, according to Nature.

The problems are in separating consecutive brief ounds and discriminating short tones after, during and most prominently before a white noise "mask," especially when consecutive sounds contain similar frequencies.

Beverley Wright: tel US 8474912453; e-mail b-wright@mou.edu

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Explosions under control 📑 xplosions can wreak known as nitinol and originally sharp projectiles," says Jeffrey havoc, but often the fast- developed by the US Naval Ord-Paine, who developed the matenance Laboratory, has an rial with Craig Rogers at the as much damage as the musual property - shape memcentre. ory. When it is deformed, the the nitinol can also help prevent atomic structure of the metal the polymer matrix composite

flying debris and shrapnel blast itself. A new material using metal strands that stretch like elastic bands could offer better protection.

Materials now used as hard armour can resist hits from original structure, restoring the objects such as lead bullets that mushroom out on impact, but are vulnerable to sharp projectiles which cut or perforate. The new perforation-resistant

material, developed by the Centre for Intelligent Materials at Virginia Tech in the US, helps prevent puncturing. It is made from a special metal alloy threaded through a polymer composite material such as glass fibre. The nickel-titanium alloy, and perforation resistance to

transforms into a new configuration. But the new form is unstable and quickly reverts to the original shape and giving the alloy its elastic properties.

Shape memory metals are used in medicine and dentistry, but their use as protection against explosions is new. Nitinol's ability to stretch by up to 10 per cent, even when subject to a high speed hit, means it bends rather than tears and so is very tough. "Adding nitinol to the polymer mix greatly improves the cutting

that nitinol can reinforce composites for impacts up to 800mph. Aircraft could be safeguarded from runway debris,

fragmenting." Their tests show

bird strikes and hold explosions, and cars could gain extra protection in crashes. The centre is working on combining threads of nitinol with its better-known relative Kevlar, the Du Pont fibre used in bullet-proof vests, in the hope of further improving personal body armour.

Damian Carrington

A LANDMINE DOESN'T CARE **ABOUT ITS VICTIM. DO YOU?**



This week Diana, Princess of Wales, is visiting Angola to meet victims of landmines and to discover how the Red Cross is helping and supporting victims and their families.

But the problem is not unique to Angola. All over the world landmines are indiscriminately killing and maiming innocent men, women and children.

Landmines must be stopped. In the meantime the Red Cross is helping to care for the victims, providing life-saving surgical and medical aid. We also provide false limbs for those injured in landmine blasts, as well as long-term rehabilitation and skills training to help them support themselves and their families.

This is where you come in. If you care, please give as much as you can to The British Red Cross Victims of Landmines Appeal. Just £25 could help an amputee to walk again. Please return the coupon with your donation or call 0345 315 315 now. You can help save lives.

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Richard Nates

32-3-2336808 Così fan Tutte: by Mozart. Conducted by Lawrence Renes, performed by the Vlaamse Opera. Soloists include Véronique Gens, Graciela Araya, Iain Paton and Urban Malmberg, May 10

Staatsoper Unter den Linden Tel: 49-30-20354438 Der Freischütz: by Weber. Conducted by Zubin Mehta, performed by the Staatsoper Unter den Linden. Soloists include Roman Trekel, Carola Höhn and Dorothea Röschmann; May 11, 14, 17, 19

CONCERT Teatro Comunale di Bologna Tel: 39-51-529901

Cinema/Nigel Andrews

Mortal coils

ave you noticed write about both films together how often the word since both have the same plot "fear" crops up in criticism? "As bad as one's worst fears"; "Much better than one (led by Jon Voight as a missionmight have feared": "Not, we fear, one of the great films"; and so on. Possibly critics use the their experience, where they word for a surrogate or make-believe frisson, since theirs is a turned. largely fear-free occupation. There is, though, one area of

anxiety, if not of actual terror: the "What On Earth Is There To

KOLYA Jan Sverak

ANACONDA Luis Llosa

GHOSTS FROM THE PAST **Rob Reiner**

MOLL FLANDERS Pen Densham

Write About" week. Every film is either bad or batty (Anaconda, Ghosts From The Past, Moll Flanders), except for the little coteriepleaser from Middle Europe (Kolya) that has won that erratic, seldom auspicious award, the Best Foreign Film Oscar.

The critic thinks he should lead with Kolya. But then he fears that his newspaper will fall to the floor at a million breakfast tables: for the average marmalade-eater would surely prefer to read about Anaconda - I would even though this snake drama that has stormed America, outearning everything in sight, is of an almost incandescent silliness. It was made for a pittance and looks as if it cost less.

dynamic. In Kolya a human being (Zdenek Sverak) and in Anaconda several human beings ary turned reptile-hunter) are thrown into situations foreign to have their lives and values over-In Anaconda they have their

lives ended, or most of them do. Here a forty-foot snake romps about the Amazon to the distress of Ice Cube, Jennifer Lopez and Jonathan Hyde, members of a documentary movie team being taken upstream for his own dark purposes by Mr Voight. His villainous personality is indicated by a fixed Fu Manchu-like sneer and Peter Lorre vocalisings.

The snake, spiritedly brought to life by modelwork and computer graphics, performs a devilex-machina role virtually identical to that of the title tot (Andrej Chalimon) in Jan Sverak's Kolya. He is a boy left to the grizzled fiftyish Louka (played by the writer-director's father Zdenek), a Prague funeral mason and part-time cellist at cremations. after little Kolya's Russia-defecting mother has fled west after her marriage of convenience to Louka allowed her to obtain Czech papers. (The time is 1988.)

Just as the screen annexing anaconda coils itself around its victim before rearing its head to give a last fond look at the suffocation process, so little Kolya taunts larger Louka with a new experience of love and emotional claustrophobia.

The boy's zombie-like cuteness acts as a foil to the older man's bachelor disarray and a frustration to his hitherto active sex life. Both characters charm us near to death, though the direc-The critic finally decides to tor keeps winsomeness at bay



Andrej Chalimon in the title role with Zdenek Sverak in 'Kolya', winner of the Best Foreign Film Oscar

with moments of bleak, if not black, comedy. No sooner has the boy acquired a cut-out toy theatre, for example, than he starts staging the only new-world ritual he has become familiar with: cremations. We watch the paper bodies being slid into paper ovens by this rapt-eyed bequest of a paper marriage.

Back in Brazil it is climax time for the all-but-paper snake, which seems to have grown. Was it always long enough to loop down the entire length of a waterfall, from its curled eyrle on a tree branch, and scoop up Mr Hyde? This happens shortly after Hyde has thumped the objectionable Voight on the head with a golf club, pronouncing "Arsehole in one." Mr H dies, but Mr V survives to be eaten and then regurgitated by the snake, a fine scene illustrating what is allegedly a feature of anaconda behaviour.

To be honest, I would not cross a county to see either film. But both outshine the earnest, drably rechristened Ghosts From The Past. In America this truth-based civil rights drama was called Ghosts Of Mississippi, which at least had colour and specificity. (What ghosts, pray, do not come from the past?)

Rob Reiner, more at home in satire-edged comedy (This Is Spinal Tap, When Harry Met Sally). directs this flaccidly scripted Deep South reconstruction of the re-trial of white supremacist killer Byron De La Beckwith (James Woods). Beckwith, an elderly, floridly-spoken fanatic from Jackson, Mississippi, was twice acquitted of the 1963 shooting of black equal-rights campaigner Medgar Evers before proving third time unlucky in

Alec Baldwin labours through The Past is piously right-on. It is

the underwritten role of Beck- hard not to wince at moments with's nemesis, assistant District such as Baldwin's response when Attorney Bobby DeLaughter. And his little daughter asks him to although James Woods's Oscarnominated Beckwith has some choice arias of southern dementia, his rhino-wrinkle prosthetics give him an unnerving resemblance to the mad grandpa in Texas Chainson Massacre.

Since Beckwith declined to testify at his own trial, Reiner and screenwriter Lewis Colick bid to compensate for the loss of courtroom tension with a gent's-room confrontation between Woods and Baldwin. It seems meant as the movie's big scene but is its phoniest, full of sound, fury and faked eloquence. (All else apart, are defendants in American trials really allowed to jostle at the same loos, basins and hand-dryers as their accusers?)

When not foolish, Ghosts From

Proms '97 announced

The 1997 BBC Prom Season. which opens at the Royal Albert Hall on July 18 with Beethoven's Missa Solemnis conducted by Bernard Haitink, builds on the success of last year. All the 1996 innovations are back - the Prom in Hyde Park to coincide with the Last Night down the road at the RAH; the Junior Prom; and the Monday lunchtime chamber concerts. although these will be held at the Victoria & Albert Museum, not the Royal College of Art.

The main new developments are the first ever solo recital, by the young Russian pianist Evgeny Kissin, in the Albert Hall on August 10; and a repeat of each Prom on Radio 3 at 2 pm.

The featured composer is Bartók and the weekend devoted to one composer will be Britten. The anniversaries of Schubert. Brahms and Mendelssohn will be celebrated with generous offerings of their work, in particular of their lesser performed music for example, a Schubert comic opera, and cantatas by Brahms and Mendelssohn.

Among the big events will be the first British performance of Henze's one act opera Venus and Adonis: a performance of Honegger's Joan of Arc at the Stake, directed by Deborah Warner and starring Fiona Shaw; and the first complete performance at the Proms of Gilbert & Sullivan's The Gondoliers.

Visiting orchestras include the Dallas Symphony, the Royal Concertgebouw and the Leipzig Gewandhaus. There will also be 30 premieres, including seven BBC commissions and, in his attempt to widen the musical boundaries Proms supremo Nicholas Kenyon is including work by Frank Zappa and a 70th birthday celebration for Johnny Dankworth featuring Cleo Laine. Last year the Proms managed 89 per cent capacity, and with half the seats being offered at unchanged prices, and a new quarter season Prom ticket of 20 concerts for as little as £32 on offer. Proms 98 should be equally successful.

Antony Thorncroft

Theatre/Ian Shuttleworth

Wilde at face value

that was very Chichester," one - trayal of the Duchess of Berwick, knows the preceding two hours dropping to a booming baritone and more have not exactly bro- for her punchlines, but the most ken new ground. Richard characteristic scene is Act 3's Cottrell's production of Lady gathering of the gentlemen after Windermere's Fan looks opulent, sounds, well, loud, and challenges no preconceptions what-

ever. The tone is established by Siri O'Neal's first aside in the opening minute: she moves to the front of the theatre's deeplymuch intimate to the audience as orate at it. Throughout the play. O'Neal does her level best not to Act 3, in the rooms of her extramarital suitor, Lord Darlington, even drew the occasional titter.

Cottrell directs the emotional content of Wilde's play - that morality may not be as immutable as one believes - squarely, broadly and, for the most part, superficially; when David Rintoul, as Darlington, delivers the classic line, "I can resist every-thing except temptation," he accompanies it with a gesture reminiscent of Pavarotti at the climax of an aria, a moment

one of the thea- which encapsulates not only his tre's habitués over-poised, over-graceful perforremarks at the curmance, but most of the evening, tain call, "Well, Google Withers enjoys her por-Googie Withers enjoys her por-

a night at their club as they self-

consciously swap epigrams.

Thanks to Dynasty, Stephanie Beacham has built a fresh career as a femme fatale of a certain age and her rendition of the scandalous Mrs Erlynne is no exception. Reacham delivers her lines in an thrust stage and does not so affected, languid drawl, somewhere between out-dated stage performance and a bad impersonation of Katharine Hepburn. appear jejune, but fails; her Even Hugh Durrant's stage near-hysteria at the beginning of design, with its diagonallyslashed Doric columns, overstates the matter. During one

> This is not a production which brings the play to life in any meaningful sense; it presents the surface of the work four-square without a hint of ever trying to penetrate any more deeply.

ultra-violet-lit scene change, the

upholstery glows luminous.

Ian Shuttleworth Chichester Festival Theatre, until July 5 (01243-781312).

usic, not theatre, is the holy art. Maria Callas - the most famous singer-actress of all time, who died 20 years ago this year - believed that too. She was considerably more knowledgeable about, and interested in, Furtwängler's conducting of Beethoven symphonies than she was in Shakespeare. Alas, you would not guess that from Master Class, the 1995 Broadway play by Terrence End. A sustained exercise in camp, it is in several senses a travesty of Callas and of her priorities. Only once did Callas give mas-

ter-classes, in New York in 1971, six years after her last previous public performance. She spoke seldom, as the recordings show, of emotion or motivation; instead, she attended painstakingly to such matters as meticulous delivery of triplets and grace-notes, to the correct use of the chest register, and to clean entry into notes and of fluent portamento.

God, for Callas, is in the detail; and so, by the way, is drama. McNally's Callas, by contrast, talks like a martyred, solipsistic, and unmusical male homosexual of the dragglest kind. What matters to this diva? The all-importance of feeling; her sexual awakening with a male partner (Onassis); and how she has suffered for being honest. True, Callas, from the time her voice

Theatre/Alastair Macaulay

Callas travestied

began to wane, did indeed orgasm". This is the second time become more and more like a I have seen McNally's play, and it female impersonator in her stud- is the second time its distortion ied attention to houte couture of Callas has made me shake glamour and in her affected offs- with rage. tage behaviour; but talking of music always brought out her McNally now reaching the West most natural instincts and keenest intelligence.

> cNally's Callas, however, is posey from first to last, and at times is far more like the aged and bizarre Marlene Dietrich or Mae West. Her monomaniacal bitch-goddess persona is also close to the Norma Desmond of Sunset Boulevard. Musical detail bothers this Callas not one jot. The nearest she comes to musical coaching is to cry, during a tenor aria, "Here it comes, the big tune! Go for it!"

> She is full of bitchy put-downs, manipulates her audience with the comic malice of Dame Edna Everage, and twice she enters into prolonged soliloquies which are melodramatically modelled upon the operatic mad scenes in which Callas specialised. Sex matters to her more than music: and, with a camp vulgarity which would have appalled Callas, she announces "An aria without a cabaletta is like sex without an

There are, by the way, several

inaccuracies. This Callas talks of interpolating a top F at the end of Act One of Norma (actually it was a top D), and she gasps "Great music always takes so much out of me!" after the tenor aria from Puccini's Tosca (a composer and opera neither of which the real Callas much admired. despite their usefulness to her career). McNally grabs at every sensationalist aspect of Callas's life-story he can, including the much-disputed story that Onassis forced Callas to have an abortion. One of the students in this play accuses her of encouraging them to ruin their voices as she had ruined hers ("You just want us to sing recklessly"): which, in this play, sounds justified - although nobody who listens to the tapes of Callas's master-classes could say she condones bad or dangerous singing in others.

Still, a play can be inaccurate and sensationalist and still be good. Not so Master Class. It homes in only on the queenly decadence, excess and futility of Callas's career, and, in its obvi-



ous and manipulative methods, it is like a Lloyd Webber show with less (but better) music, fewer rhymes, and a lot less scenery. In talk through great music (instead Sunset Boulevard). She brings the role more artistic seriousness than did its New York originator, Zoe Caldwell, and her features

sing his usual bedtime song -

"Maybe 'Dixie' isn't the right

song" he says, spoonfeeding the

film's liberal message for those

with swallowing difficulty - or

such as almost every appearance

by Whoopi Goldberg. Playing

Evers's widow and clutching off-

spring played by Evers's own

real-life children, the poor actress

is required to all but wear a halo.

and directed by Pen Densham,

rounds out the week's grim toll.

Robin Wright is our heroine, suf-

fering through every woe that

civilisation can offer from pov-

erty and small pox to risibly

updated 18th century dialogue.

The film was "inspired by" the

original novel by Daniel Defoe,

who is unlikely to reciprocate the

Moll Flanders, torpidly written

occasionally bring Callas to mind. I was grateful for her until, during Act Two, her slow and hammily vibrating drone sank to London, it even has Patti the level of the play. The produc-LuPone, who here is asked to tion, directed by Leonard Foglia, is much like the Broadway origiof singing cheap music, as in nal, but a few lines have been changed. Posiness predominates; this Callas has no daimon.

Queen's Theatre, W1.

INTERNATIONAL ARTS

ANTWERP

OPERA De Vlaamse Opera Tel:

BERLIN

■ BOLOGNA

Orchestra da Camera di

Bologna: with pianists Katia and Marielle Labeque and flutist Andrea Griminelli perform works by Mozart and Saint-Saens; May

COLOGNE CONCERT

Kölner Philharmonie Tel: 49-221-2040820 Kölner Philharmoniker: with mezzo soprano Kathleen Kuhlmann, Flutist Holger Miller, oboist Klaus Kärcher and Gürzenich-Orchester perform works by Bach, Händel, Kummer, Rossini, Fürstenau and Montsalvatge. Soloists include mezzo soprano Kathleen Kuhlmann, Flutist Holger Miller, oboist Klaus Kärcher and English Horn-player Albrecht Bode; May

■ FLORENCE

OPERA

Teatro Comunale Tel: 39-55-211158 Parsifal: by Wagner. Conducted by Semyon Bychkov, performed by the Orchestra e Coro del Maggio Musicale Fiorentino. Soloists include Berndt Weiki, Andrea Silvestrelli and Poul Elming. Part of the 60th Maggio Musicale Fiorentino 1997; May 11

HAMBURG

CONCERT Musikhaile Hamburg Tel: 49-40-346920 London Symphony Orchestra: with conductor Sir Colin Davis and violinist Anne-Sophie Mutter

perform works by Beethoven and Brahms; May 12

LONDON EXHIBITION

Queens Gallery Tel: 44-171-9304832 Views of Windsor -Watercolours by Thomas and Paul Sandby: collection of works by the brothers Thomas and Paul Sandby, both important figures in the development of watercolour painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle and the Home Park painted during the 1760s and 1770s and a selection of works by his prother, including watercolours that relate to his work as a landscape architect in Windsor Great Park; from May 9 to Jul 13

■ LUXEMBOURG

DANCE Théâtre Municipal Tel: 352-470895 La Sylphide: choreographed by Pierre Lacotte to music by Schneizhoeffer, performed by the Ballet National de Nancy et de

Lorraine; May 9, 10 MADRID CONCERT Fundación Juan March Tel:

Marta Maribona: the pianist

34-1-4354240

performs works by Mozart and Schubert, May 10

EXHIBITION

Museo Nacional Centro de Arte Relna Sofia Tel: 34-1-4675062 Eugenio D'Ors Critico de Arte: display tracing the developments of Spanish modern art throughout this century and the career of the Spanish art critic D'Ors. On display are works by artists including Torres Garciá, Picasso, Dali, Miró and Saura; to Sep 15

■ NEW YORK EXHIBITION MOMA - Museum of Modern

Art, New York Tel: 1-212-708-9400 ■ Manuel Alvarez Bravo and Twentieth-Century Mexican Photography: exhibition featuring 175 photographs selected from all phases of Alvarez Bravo's career, covering his formal experiments in the 1920s and later modernist works inspired by Surrealism; to May 18

Whitney Museum of American Art Tel: 1-212-570-3600 The 1997 Biennial Exhibition: the 1997 Blennial is the 69th in the series of Biennial exhibitions, first established by Museum founder Gertrude Vanderbilt Whitney in 1932. The Biennial is the Whitney's signature exhibition and focuses on the most

important developments in recent

American art; to Jun 22

Metropolitan Opera House Tel: 1-212-362-6000 Rusalka: by Dvorák.

Conducted by John Fiore, performed by the Metropolitan Opera. Soloists include Renée Fleming, Frances Ginzer and Dolora Zajick; May 10

PARIS

EXHIBITION Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56

 Alain Diot: exhibition of recent paintings by the French artist. whose work explores perception of light by using greys and whites predominantly in his paintings; to May 18

OPERA Théâtre National de l'Opéra -Opéra Gamier Tel: 33-1 42 66 50

 La Ciemenza di Tito: by Mozart. Conducted by Armin Jordan, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Rainer Trost, Cynthia Lawrence and Christiane Schäfer, May 10

ROME

CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Orchestra dell'Academia di Santa Cecilia: with conductor Ulf Schirmer and cellist Steven Isseriis perform works by Haydn and Nielsen; May 11, 12, 13

OPERA Teatro dell' Opera di Roma Tel: 39-6-481601 Der Fliegende Holländer: by Wagner. Conducted by Jeffry

Tate, performed by Teatro dell'Opera di Roma, Soloists include Susan Anthony, José van Dam and James O'Neil; May 10

■ ROTTERDAM POP-MUSIC

Ahoy' Sportpæleis Tel: 31-10-4104204 The Who : performance by the English rock group; May 11

■ STOCKHOLM DANCE

Kungliga Teatem - Royal Swedish Opera House Tel: 46-8-7914300

 Mayerling: choreographed by Kenneth MacMillan to music by Liszt, performed by the Royal Swedish Ballet; May 9, 12

■ THESSALONIKI

EXHIBITION Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6

 Contemporary Yugoslav Art: display of work by 30 artists, presenting prevailing trends in contemporary Yugoslav painting, sculpture, graphic arts, drawing, photography and video art; to May 14

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Squawk Box

10.00 European Money Wheel

Financial Times Business Tonight



"operationally independent"

collegiate system for mone-

As in Germany the Bank

is to be committed to sup-

and employment objectives

are specifically mentioned -

subject to the overriding pri-

ority of the inflation objec-

tive. This comes as near as

practical to laying out a

guideline for growth of nom-

inal gross domestic product,

without committing the

Are there any snags? The

new monetary framework is

to be embodied in an act of

parliament - but what par-

liament does, parliament

can undo. This is no idle

threat in a country which

lacks both the German tra-

dition of sound money and

the American tradition of

the separation of powers.

Anyone who really wants to

entrench sound money as

part of the British way of

life should favour as a next

Bank to specific formulas.

personally responsible.

Samuel Brittan

Beyond independence

After this week's bold monetary moves, the spotlight will shift to fiscal policy and new estimates of the UK public sector balance sheet

Only a few years ago a proposal to give the Bank of Bank of England into the projected European central England operational independence would have been bank. This will be not merely "operationally indedismissed as outrageously pendent" but fully indepenreactionary – not only by dent and accountable under the Labour party but by a treaty and be part of a many Conservatives and monetary union which will most middle-of-the-road be difficult to unravel. economists. John Major, for There will however be instance, was reluctant to oceans of time to chew over take this step because be

did not relish being attacked the implications of this for interest-rate decisions week's monetary changes. The next set of decisions made by others. Labour's new thinking on facing the new government - which cannot be offloaded this subject has been an on the Bank of England open secret for many concern fiscal policy. months. Nevertheless the A welcome innovation speed with which chancellor Gordon Brown has acted to make the Bank of England

here has come from the independent National Institute for Economic and is both surprising and wel-Social Research. Its latest review carries a "fiscal come. The government has basically gone for the New report", which is to appear Zealand model of a central half-yearly, modelled on the Bank of England's Inflation bank left free to pursue an inflation objective laid down Report which exhaustively by the finance minister. But examines everything releit has followed US and Gervant to monetary policy. man practice by setting up a

The fiscal report contains an estimate of the public tary policy decisions instead sector balance sheet based of making the governor on the national income Blue Book. Valuations are made include everything from economic policy. But in con-trast to Germany growth stake in the nationalised

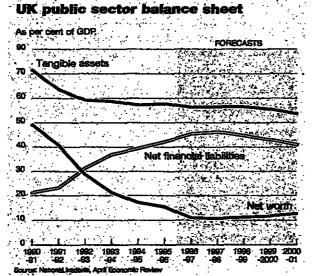
are the public sector's net financial liabilities - mostly outstanding debt.

There was a massive fall in the net worth of the public sector from just under £50bn in 1990-91 to just under £11bo in the financial year just ended. There are four reasons why this net worth can fall. First, government debt can increase, as it did very heavily during and after the recession of the early 1990s. Second, assets may be sold to the private sector and then leased back. Third, profitable businesses may be sold off, as in privatisation. Fourth, public capital may have been allowed to decay: roads might have become potholed and build-

ings run down. The public sector balance sheet cannot go on deterior-ating indefinitely. If government debt accumulates, so does the interest burden. Matters are not quite so clear-cut if public sector assets run down. There is surely a difference between assets, such as the remaining government stake in the of tangible assets, which nationalised industries which generate revenue, porting the government's schools and hospitals to the and public buildings which

An irresponsible new gov-

usually do not.



hysteria, might want to turn this deterioration into a crlsis. A sensible government, especially if it aims for two periods in office, would be very hesitant about any such claim, which would in any case be rubbish. The from 2% per cent of GDP

net assets of the public sector are decidedly not those of UK plc. Most national assets are not owned by the government - and a rundown in the proportion which are is far from being an obvious calamity. The family silver remains even if it is not held by Big Brother. Let me try to spell this out. Suppose the last government had taken my

advice and handed privatisation shares "free" to all citizens (as has been done in some former communist countries). Such disposals would have led to a much bigger rundown in the public sector balance sheet than we have seen. But in no sense would the nation have become bankrupt. UK citizens would have owned more of the national wealth individually and government officials would be holding less of it on their behalf.

institute's projection shows the public sector balance sheet stabilising or even slightly improving to reach nearly 13 per cent of GDP by the end of the century. This assumes the summer Budget will raise not only £2%bn per annum from the promised windfall tax over the next two years to pay for special employment pro-£2%bn to £3bn per annum by reducing the tax credit on dividend payments to 10 per cent.

What of the future? The

The main reason for the balance sheet improvement. however, is that the market price of buildings is on a rising trend, relative to prices in general. This will increase the value of council houses and other public sector structures - a relative

step the absorption of the industries. On the other side ernment, wishing to stir up price improvement that cannot go on for ever.

The institute's ultimate condition for stabilising the public sector balance sheet is a zero current budget deficit. In its own projections this deficit comes down now to % per cent in 2000-01. The institute presumably wants to make doubly sur by eliminating the deficit altogether in the new parliament - recommending further tax increases to achieve this. At this point one should say: "Hold your

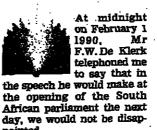
The public sector balance sheet cannot be the only criterion of policy, if only because it involves pretty heroic estimates. And ever without the institute's suggested tax increases, the UK public sector finances face a prospect which any other European Union member would envy. The govern ment deficit under the Maastricht definition (which is stricter than the UK public sector borrowing require-ment) is expected to fall below I per cent of GDP by 1999 - the presumed first year of the monetary union. The UK government's debt ratio is projected to peak in the present fiscal year and fall below 50 per cent of

GDP in 2000. To achieve this, the tax burden was expected to creep up over the coming years under the plans left by Kenneth Clarke, from 36 to 38 per cent of GDP. The windfall tax and the cutting of the dividend tax credit will add more than another ¼ a percentage point.

The uncertainties inherent in all projections, together with the buoyant state of the economy, might justify tax increases which removed distortions. They would not justify fresh increases simply to raise revenue. It would be piling Pelion on Ossa to raise the tax burden further still because of a dim threat that might never materialise.

BOOK REVIEW Robin Renwick ANATOMY OF A MIRACLE, by Patti Waldmeir

W.W. Norton, 303pp, \$27.50 Rational explanation for African miracle



Neither we, nor the world, were disappointed. For he announced a constitutional revolution, unbanning the African National Congress and the South African Communist party, leading nine days later to the release of

Mr Nelson Mandela. In doing so, he confounded the expectations of almost every western pundit. He also knew he was paving the way for his own loss of

power. Patti Waldmeir, the FTs hureau chief in South Africa between 1989 and 1994, returns more than once to the question: why did Mr De Klerk do this? For, as she points out, the Afrikaners were under no military threat. They could have held out for another decade.

And Mr De Klerk, at first blush, was a most unlikely agent of fundamental change. His brother, Mr Wimpie De Klerk, warned me he was far too conservative to be a good president, and was unimpressed when I disagreed.

But F.W. knew South Africa's problems could no longer be contained by imprisoning ever larger numbers of people and that there must be negotiations while there was still time. When one of his former mentors asked why he was abandoning the status quo. Mr De Klerk replied angrily it could be maintained only at an unacceptable cost in lives. In him the Afrikaners at

last found a wholly rational leader who could calculate the cost of a course bound to tion and leave his people

Mr De Klerk did not enloy on February 1 handing over power. Yet, 1990, Mr unlike Mr Mikhail Gorbanever tried to stop halfway. Waldmeir is unnecessarily

polite about his predecessor. Mr P.W. Botha, who did more than anyone to turn the South African regime into a Latin American style junta - complete with death squads. There never was any chance of Mr Mandela being released under his irascible regime. But F.W. and Mandela between them led South Africa away from the abyss.

This book is a brilliant, vivid account of this extraordinary transformation. But there is one name missing from the story - that of Ms Helen Suzman who, at the height of the apartheid gime showed millions of black South Africans that some whites were prepared to stand and fight for the

justice they were denied. Having lived also in Ghana and Zambia, Waldmeir entitles her final chapter "Now for the hard part". For the post-independence history of Africa has been grim indeed.

In many countries the liberators turned into oppressors themselves. While it was fashionable to blame the colonial past, the reality is that most of the damage has been self-inflicted, and much of it perpetrated by leaders such as Nyerere and Kaunda who were idolised for a time by many in the west.

The new government has cult socio-economic problems - including the wave of violent crime that has engulfed cities such as Johannesburg. Tolerance of opposition and press criticism will be the litmus tests of its commitment to democratic norms.

Mr Mandela is different. Far from clinging to power, he is determined to step lead his country to destruc- down as president within two years. What an example

deserves better than the uncritical adulation he gen-F.W. De Klerk chev in the Soviet Union, he erally receives. Waldmeir chronicles the costs of his failure to meet the Zulu leader Chief Buthelezi for nearly a year after his release from jail. As she points out, in the fight between the ANC and his Inkatha party, the faults were by no means only on one side.

Mariana

Yet he must surely rank as the greatest son of Africa his continent has yet produced Through 27 years in jail his thoughts were never of revenge, but of winning over his jailers. Once free, an astonished crowd in Soweto was told that they must all learn Afrikaans. His doming of the Springbok jersey during the 1995 rugby world cup brought tears from the most hardened of his opponents.

And, as for his technique. I have experienced it myself. On his release from jail. I found myself co-opted by him - just as his prison warders had been - and expected to act as his adviser, which I was honoured to do

Mr Mandela will be succeeded by his highly competent deputy. Mr Thabo Mbeki. But he can never be

In Cape Town two weeks ago, I called again on him, Mr De Klerk and Chief Buthelezi and found them still at loggerheads with each other. If you are growing tired of politics, try readinherited horrendously diffi- ing Waldmeir's account of what the human spirit can

> Sir Robin Renwick was UK ambassador to South Africa between 1987 and 1991. His account of these events, Unconventional Diplomacy. was published by Macmillan on 3 April

Both books are available from FT Bookshop by ringing FreeCall 0500 500 685 (UK) or +44 181 324 5511 (outside the





MAJOR EVENTS IN THE 1997 & 1998 METALS INDUSTRY CALENDAR

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World Stainless Steel

Conference

15 & 16 September 1997, Radisson SAS Hotel, Düsseldorf

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LETTERS TO THE EDITOR

Opposition to proliferation of preferential trade is welcome

Bhagwati and Professor

Arvind Panagariya. Sir, The article by Stephen Fidler and Nancy Dunne on 'Slow track to Latin market" (May 5) presumes that the move to hemispheric free trade in the Americas by 2005 is obviously desirable and cites only those who share that view and lament the lack of progress towards that goal because of divisions over the renewal of fast track authority for trade initiatives in Congress.

But this presents a one-sided view of the matter. By now, there are many serious scholars of trade, all free traders, who openly question whether such regional trade agreements, which are inherently discriminatory, are desirable in the first place. For the many among us who oppose the further proliferation of preferential trade arrangements such as free

trade agreements (FTAs). the refusal by the Asian members of Asia Pacific Economic Co-operation so far to convert it into an FTA, and the transformation of the original transatlantic Tafta proposal into a non-FTA, non-discriminatory initiative, have therefore been welcome developments.

And so is the slowing of

the progress on the goal of FTAA (an FTA of the Americas), the last of the "big" FTA initiatives still remaining on the political agenda. Even if this is largely because of the divisions among Democrats and Republicans over the issue of linkage of trade treaties with labour and environmental demands, we are

unexpected sources. In fact, this provides an and indeed the South American governments, to re-think

grateful for dividends from opportunity for Washington, the issue and to convert the original goal of free trade only for the Americas into a co-operative regional agreement instead that (like Apec) is not an FTA, and simultaneously to pursue trade liberalisation multilaterally, on a most favoured nation basis, at the World Trade Organisation. That is the

model. also of President Kennedy's celebrated, but premature, Alliance for Progress for South America: it pursued regionalism and objectives such as security and support of democracy without sacrificing non-discriminatory trade.

Jagdish Bhagwati, Arthur Lehman Professor of Economics. Columbia University New York, NY 10027. Arvind Panagariya, professor of economics University of Maryland, Maryland 20742-7211, US

Out of balance after interest rate rise

From Professor Willem Sir, It may be possible to

rationalise Tuesday's interest rate boost as a preemptive strike by an untested new New Labour government anxious to convince sceptical financial markets that it has anti-inflationary hair on its chest. The net result, however, is that the monetary-fiscal policy mix has been further unbalanced in the direction of excessively tight money and excessively lax fiscal policy. Public spending cuts and/or tax increases now are urgently required to achieve lower real interest rates and a more competitive real exchange rate.

Granting operational control over interest rates to the Bank of England undoubtedly boosts the government's reputation for anti-inflationary rectitude. It also represents a significant step in the process of qualifying the UK for early full participation in Ema.

The bad news is that the prevailing interpretation of central bank independence appears to include the nonco-ordination of fiscal and

monetary policies. Unless the authorities recognise that greater central bank independence is fully consistent with the co-ordinated pursuit of an appropriate monetary-fiscal policy mix, macroeconomic performance could worsen.

professor of international University of Cambridge, faculty of economics and politics. Austin Robinson Building, Sidgwick Avenu Cambridge CB3 9DD, UK

Willem H. Buiter,

Freedom must be information on Internet

From Mr David Anderson Sir, The draft UK freedom of information bill should include provision requiring both government and quangos to be pro-active in publishing information at designated Internet sites and not be merely reactive in responding to public

In the case of quangos, offers for tenders, grants and loans should be publicised well in advance on the Internet in order to give local small businesses a chance to apply. Ideally, quangos should impose the same requirements on other organisations which they fund with public money.

It is essential for the success of the new bill that it imposes full use of information technology on public

David Anderson, Sykes Anderson solicitors, London E1 SEY, UK

Key link to know it

Sir, As a Welshman and citizen of the UK living in the US for 25 years, I was deeply interested in last week's election, probably the last in the UK for this millennium. Knowing that there would not be much coverage of the election on network TV here, I was delighted by the fact that C-SPAN was carrying BBC election coverage live to my part of the

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American Sunbelt. While my NQ (nostalgia quotient) was very high, the civility of the election and the orderly nature of the transition made me proud of my British heritage. My thoughts, however, were of

the future. I can see a rejuvenation of the special relationship between the UK and the US under the new prime minister, Tony Blair, and Presi-dent Bill Clinton. Much can be achieved in the future. Britain's role in Europe is obviously important today in a way that was not so 25 years ago.

But the transatlantic link will always be important. Samuel Huntington, the political scientist, tells us that a clash of civilisations may be imminent as the English language and liberal democracy decline in a global context. As a result, the future of western civilisation as we know it will depend much on the leadership of America, which inturn depends much on its relationship with the UK as America's best link to

In the traditions of my fellow countrymen Lloyd George, Aneurin Bevan, Roy Jenkins and Nell Kinnock, I hope that both Tony Blair and President Bill Clinton will act on the most precious words ever spoken in the English language, those of Martin Luther King, I have a

John Rees, 702 Magnolia Street, NC 27401, US



COMMENT & ANALYSIS

Industrial chemicals

Trading profit before exceptionals (2m)

ICI: breaking free of the cycle?

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday May 8 1997

Labour's Euro dawn

his visit to Paris and Bonn. Sud- the union treaty. denly, British diplomats are or will not make concessions on people coming from within as anything, while their new Labour masters are liberated from the fear that any friendly noise they make about Europe will be used to rob them of their election victory.

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Maastricht treaty remains port union with the UK.) fuzzy, as a negotiating position needs to be. But the strategy is clear. Instead of threatening to block any agreement at next month's Amsterdam summit. Mr Cook expressed his determination to reach one. By stressing a general attitude of co-operation and flexibility he hopes to gain understanding from Britain's partners on those points which even for the new government are not negotiable.

Foremost among these is the Schengen accord, which touches many of the same justice and home affairs issues as the EU's so far largely notional "third pillar": co-operation between national police forces, immigration and asylum policy, and the policing of the common external border. Thirteen of the EU's 15 doghouse.

What a difference a landslide members have signed (though makes. A cloud of euphoric only seven have so far fully goodwill surrounded the British implemented) the accord, and foreign secretary yesterday on now wish to incorporate it into

Fine, says Mr Cook, but only spared the odium of represent- if the right of an island nation ing ministers who either cannot to maintain frontier controls on well as outside the EU is written in, as a permanent exemption rather than a temporary opt-out. (Willy-nilly, that will apply also to the member state with which John Bull shares his So Mr Robin Cook was able to other island: the Irish Republic cross the Channel bearing gifts. may perhaps enter Emu on its The detail of his negotiating own, but is obliged by sheer position on the revision of the convenience to remain in pass-

> If he gets his way on this, it seems Mr Cook may not be too fastidious about allowing the European parliament and court of justice some role in third pillar issues, which the previous British government was determined to preserve from the merest hint of supranationalism. He has also made it clear he will not expect any concessions on fish quotas to be written into the treaty, so long as by undertaking that the issue will be addressed. Spaniards will inspect the small print of any such pledge with extreme suspi-cion. But if Mr Cook can keep the euphoria humming it may be Spain, for a change, that finds itself in Europe's

Wrong option

Japanese models of capitalism is everywhere being questioned. But will the introduction of stock options help resolve their respective difficulties in corporate governance? Clearly some year Deutsche Bank and management. And now the Japuse of stock options.

systems in which the shareholder has traditionally been accorded low priority. The imposition of an enduring penalty on equity ownership was sustainable while populations were young and only small parts of the two countries' economies were exposed to international trade and capital flows. But in today's more liberal global environment, it leads to economic distortions and. in Japan, to financial instability.

The ability of the banks to maintain close relations with their corporate clients and play a central role in addressing managerial failure has been weakened, thanks to shrinkage in the amount of borrowing in corporate balance sheets. That German and Japanese managers will improve things.

identify their interests more closely with those of shareholders. Yet there is little correlation in the English-speaking economies between good manapowerful folk think so. Last gerial performance and the grant of generous stock options. Daimler-Benz introduced stock Indeed, the legitimacy of the option schemes for their senior wealth creation process has been tarnished as a result of anese parliament is removing inflationary awards in the longstanding obstacles to the boardroom. The ever-increasing earnings differential between Part of the diagnosis is the shopfloor and the board has become a demoralising influ ence on the workforce.

In theory, stock options

should encourage managers to

Much of the strength of the German and Japanese forms of capitalism derives from a sense of solidarity and commitment in the workplace. The use of stock options need not undermine this ethos if the schemes are well designed. Yet new options plans at Deutsche Bank and Daimler Benz are not available to all employees. The terms offer management a one-way bet. And the options can be exercised on the basis of performance measured against the return on government bonds.

It remains to be seen whether the Japanese opt for a less obviously flawed approach. But there is a risk that in their present self-critical mood, the Ger said, it is far from clear that mans and Japanese will take giving US-style stock options to aboard the less attractive features of Anglo-American capi-

Tory blues

Conservative party following its defeat last week may be even more difficult than those that confronted Labour after its trouncing in the 1983 election. Voters then emphatically rejected Labour's brand of socialism Mr Michael Foot, the tion. party's leader, predicted gloomily that if he lost, "the old famous socialist stream could perish in sectarian bogs and sands". But defeat also gave modernisers a clear idea of what new direction to take, even though it took 12 years and three more leaders for them to reap the rewards.

For the Tories, now starting the painful process of choosing a new leader, the lesson from last week is, curiously, less clear. They were, and remain, fatally divided on Europe. But voters showed that, even if they did have serious reservations about deeper European integration, this was far from their main preoccupation.

Nor is there an unequivocal message for Conservatives on the economy. If Labour really does stick to its fiscal and mone tary promises, the Tories' next national interest can differ from leader may find it as hard to nationalism and that doing score opposition points on the economy as to secure unity on

To complicate matters further, there is the difficulty that able to mount a credible and the parliamentary party may not be a legitimate electoral college. Tory MPs are few in the be in danger once again of English cities, and completely shouting into the wind.

The decisions before the British absent in Wales and Scotland. There must thus be serious doubt as to whether those that remain can elect a new leader who can be assured of the whole party's support. A widening of the franchise deserves consideration before the leadership elec-

Five of the six candidates will oppose membership of a single European currency, perhaps in the hope that this will be the way towards unity and distinctiveness. But any new leader will find this an issue of extreme danger, beset with those ideological bogs and streams which the electorate so

Several candidates have talked of the need to learn from Labour's organisational skills. They might also note the way in which Mr Tony Blair, the new prime minister, pushed aside socialist disputes with his

robust pragmatism. For the Tories, this may be a protracted process. To start it. they need a leader who can convince demoralised MPs and activists that sovereignty is not a religious absolute, that deals with foreigners is no trea-

By debating the balance of advantages, they might then be perhaps even a broadly unified opposition. Otherwise, they will

A cultural exchange

ICI's character will be transformed with the takeover of Unilever's speciality chemicals business, says Tony Jackson

of British industry, Imperial Chemical industries has developed a remarkable capacity to surprise. Just four years ago, it spun off the bulk of the business under a different name, Żeneca.

Now comes the next novelty: a kind of reverse takeover of the remainder, disguised as the £4.9bn (\$8bn) purchase of Unilever's speciality chemical busi-

Consider the numbers. The £4.9bn purchase price is almost the same as ICT's market value. But ICI is to sell off some 60 per cent of itself - its bulk chemicals businesses worth £3bn - to pay for it. In value terms, the Unilever business will form some 70 per cent of the new entity. And Mr Charles Miller Smith. ICI's chief executive, was until two years ago a Unilever man. Of his 30 years with Unilever, 11

sion he has just bought.

The culture of the two companies could scarcely be more different. Unilever's is focused on marketing, ICI's on production. Unilever's business is charac-

were spent in the chemicals divi-

terised by steady growth, ICI's by cyclical swings. Unilever is expert at acquisitions, ICI is sometimes clumsy - a fact that gives added point to the question of who is taking over whom.

For Mr Miller Smith, the trick is to combine the best of both cultures. Take acquisitions, for example: "Unilever grows largely by acquisitions, since its organic growth is slow," he says. "I've built my career understanding how that happens." In the past two years, he adds, ICI has made a series of acquisitions in the paint industry, all "stunningly

Or take production. Unilever's chemical plants, according to ICI, are five years behind ICI's in technology. "You'd expect that," says Mr

Miller Smith. "The nature of the [Unilever chemical] businesses is locked up in marketing, focus on the customer and managing parts of the supply chain. "ICI has to be obsessed with

the particular piece of the supply chain called manufacturing, so

CI yesterday delivered its verdict on Europe's bulk chemicals industry: the future does not look good. In a notoriously cyclical busi-

mainly from the Far East. Britain's leading manufacturer of industrial chemicals has found a solution. The injection of a £4.9bn consumer chemicals business will free it to sell off £3bn of industrial chemicals businesses, without disappearing off the corporate map.

aged by fierce competition

But this revolutionary strategy only emphasises the scale of the crisis facing Europe's commodity chemicals industry. Sir Ronald Hampel, chairman

of ICL says the present restructuring in the sector in Europe is akin to the experiences more than a decade ago in the UK's engineering, shipbuilding, textiles and coal industries. The UK barely maintains a presence in these sectors now.

Likewise, says Sir Ronald, "bulk chemicals are going to continue to be made in Europe. But the balance of pro**Existing portfolio** Enlarged group ing income: £1.022m 1996 operating income: £665m 1996 pro forma opera

question of priorities." Unilever's sales and marketing skills are correspondingly ahead. Sir Ronald Hampel, ICI's chairman, recalls that his first job with the company 40 years ago was as sales control clerk, ration- inherent in the business tend to

we can add value there. It's a tomers, "If something was the profits slump, it is the fault of wrong shape," he says, "it was up to the customer to change

industrial

As for the cyclical nature of charged that the wild swings will join the ICI board. ing the supply of goods to cus- create a culture of excuses. When ophy on budgets," he says, "he

the cycle.

Mr Miller Smith does not wholly deny this. But, he points out, Mr James Kennedy, head of ICI's business, outsiders have the Unilever chemicals business,

"If you ask Kennedy his philos-

says he is not very keen on them. He just wants increased sales and profits every year. Compared to a cyclical business, that gives you a quite different set of behaviour

patterns." So what will be left of the ICI culture? Even its expertise in large-scale manufacturing, after all, will mostly depart with the £3bn disposal of its bulk chemi-cals businesses. What else will be worth retaining?

"As an outsider to the culture." Mr Miller Smith says, "I would argue the reason it deserves to survive is a gutsy determination to win when the chips are down.

"Second, the creative grain running through ICI has to do with science and technology. We mustn't lose that."

The new culture, he argues, will be an amalgam. Millbank, ICI's grand and venerable London headquarters, will lose its English character. It will receive an infusion of "tough Americans and gritty Dutch" from the Uni-

nd there will be more emphasis on the customer. At Unilever's equally imposing London headquarters, the foyer is lined with displays of detergents and frozen

"When you come into Millbank in a year's time," Mr Miller Smith says, "it should be full of events to bring them together."

This is all very well. But corporate history is littered with cultural collisions that did not work. Why should this one be

Several reasons, says Sir Ronald. The new ICI will be a meritocracy, promoting young executives from both sides who are able to change and adapt. It will also be even-handed at the top. "Don't underestimate the power of the message in putting Kennedy on the board."

But in the end, it seems, ICI's ace in the hole is Mr Miller

"With Charles," Sir Ronald says, "it's not a question of making assumptions about what we're buying, It's a matter of

Bulk of the problem

Jenny Luesby on the reasons for yesterday's move

duction will shift to Asia." This does not just reflect the different rate of growth in the region, he says. It is also the result of "a different attitude to

finances and returns". Asian producers are now cultivating commodity chemicals businesses in much the same way that ICI once reared its former pharmaceuticals business. now spun off as Zeneca. They are

> to gain a foothold. The effect is devastating for the world's established producers. And ICI has not been slow to recognise this threat - doing more than most of its peers to build up production sites in

willing to sustain losses in order

For example, in PTA, the polyester raw material where it has the technology to produce at the lowest cost, it has built plants in Taiwan and Pakistan.

But even this Asian presence begun, aimed at selling the busihas failed to protect it. A glut of polyester as rival producers raced to expand last year knocked ICT's profits by an estimated 20 per cent.

The group now plans to get out of polyester with a deal - probably an alliance with a fellow producer - little more than weeks Similarly for titanium dioxide,

the white pigment used in nearly all paints and plastics, ICI is the world's second largest producer. but its profitability has been undermined by successive waves of oversupply in the sector. This prompted the group's decision in February to sell the business.

At the time it said it hoped to raise £700m by floating its subsidiary Tioxide within 18 months. Corporate financiers were sceptical. Yesterday, the group said talks had since

ness directly to one of its com-The company also appears

close to a clever exit from explosives, another of its low-margin and difficult businesses, through an asset swap. The group hopes to pass its global explosives business to its Australian subsidiary in return for the latter's paints business. It will then sell its Australian subsidiary to raise more than £1bn.

Also on the block as ICI seeks to raise £3bn over three years are the rest of its fertilisers business and its chlorine business, both sited predominantly in the

At the time of its demerger from Zeneca, ICI promised it would look radically different within five years. The mood at the group's Millbank headquarters was euphoric yesterday as it rescue itself.

delivered on that promise. The new ICI will be a company without a peer in Europe, says Sir Ronald. For its former rivals, stuck in cyclical commodity sectors, this is a painful truth.

Where possible, these companies have already followed ICI's first "big solution" by demerging their pharmaceuticals and chemicals businesses. Many would also like to get out of cyclical commodity chemicals, but there is hardly a queue of buyers.

The expansion by Asian chemical producers may yet stretch to buying up established European businesses. Chemical-minded oil companies might also pick up some of the weaker businesses.

But the opportunities for stepping rapidly into speciality chemicals, or some other new field of activity, are sparse. Thus, even if a sell-off of bulk chemicals were possible, acquiring a replacement business might not be.

Against this background, ICI may be one of very few large chemical companies in Europe to

BSERVER

Turkey's **Moody Blues**

■ Moody's, the Wall Street rating agency, must be quaking m its boots.

Turkey's economy minister Ufuk Soylemez is writing a warning letter" after the agency had the audacity to criticise Turkey's economy in its annual report on the country's banking system.
It accused Turkish

governments of repeatedly failing "to come to grips with the structural causes of high fiscal deficits, inefficient public enterprises, a bankrupt social security system and a narrow tax base"

Soylemez finds it highly suspicious that the report should have come from Moody's regional office in Limassol, Cyprus - no friend of Turkey which occupies the northern part of the island.

He clams the offending document was "written by remote control", presumably by Turkey's Greek enemies, and vows to put Moody's right on "all their errers and

omissions". Other rating agencies have also become punchbags for Turkish politicians: In January, after Standard & Poor's cut Turkey's rating, another minister vowed that the agency

would "definitely not get away with this" and demanded to know who was paying it to downgrade Turkey's rating and

why. The government's line remains consistent - rating agencies fail to perceive the true dynamism of Turkey's economy, which goes from strength to strength. Is that clear?

Short break

Marcelino Oreia, the loquacious Spanish commissioner in Brussels, must be praying that EU leaders wrap up a Maastricht II treaty at next month's summit in Amsterdam.

For the past 15 months, Oreja has been taking part in negotiations on the future of the Union in the so-called IGC, ably supported by his two advisers Michel Petite and Nigel Evans.

But by a strange quirk of fortune, both officials are heading to Boston for extended sabbaticals, Petite to the Centre for International Affairs at Harvard and Evans to the Fletcher School of Diplomacy.

Petite, a cerebral figure who made his reputation as an adviser to Jacques Delors, the former president of the Commission, seems determined to leave Brussels on time. He lost out narrowly on a promotion to director-general working for Sir Leon Brittan, the EU trade commissioner. And

although he has been mentioned as a possible head of the 100-plus Commission task force on enlargement, the job is more likely to go to François Lamoureux, his French colleague. Taking time out in the US looks a good way to avoid a post-Maastricht move sideways.

Evans is also said to be keen to clear his head after the mind-numbing IGC negotiations. One of the wittier Eurocrats in town, he is one of the few people to be able to cut through Brussels jargon whether in English or French.

This has never been Oreja's great strength, despite his mastery of the detail of the negotiations.

No Oskars

■ New Labour's victory has left a bitter aftertaste for keen party goer Oskar Lafontaine, the leader of Germany's Social Democratic Party.

in the post-poll euphoria of last Friday, his office rushed out a statement saying that fun loving Oskar and his entourage had accepted an invitation to a Labour celebration party in London this coming weekend at

which he would meet Tonv

Sadly, the invitation turns out to have been a boax perpetrated by a smooth talking, English-speaking prankster who called SPD headquarters in Bonn posing as a member of the jamboree's organising committee. After some belated due

diligence, the SPD has issued a rueful press release, headed "much ado about nothing", noting that Labour's celebrations were held on election night and acknowledging that it fell for a 'new variety of black humour". New Labour, new humour. Whatever next?

Cyber gold

■ They think it's all over . . . it is now. Now that the "world's biggest gold deposit" in Indonesia has turned out to be a figment of virtual reality, Bre-X Minerals has decided it no longer needs to promote its prospects over the Internet.

The Canadian exploration company has pulled the plug on its web site, which had carried a priceless trove of photos from Borneo and a selection of analysts' reports and press comments judiciously chosen for their optimistic tenor. "It's no longer relevant", Bre-X explained in Caleary.

Financial Times

100 years ago South African Railways

The proposal to hold a railway conference to consider Johannesburg's demands for the reduction of railway rates, transit dues and Customs dues on goods for the Transvaal from Maritime States has fallen through. There has been a lot of talk, a lot of correspondence, a lot of cheap profession of sympathy with the Rand and its burdens, but the end of it all is that nothing is to be done. The Cape, which originally proposed the Conference, is anxious to do what it can in the matter, but Natal and the Free State hold aloof.

50 years ago Portugal's Car Imports

Portugal imported more than twice the number of motor-cars from the United Kingdom than from any other country last year. Of the total of 4,326 passenger cars imported into the country 2.333 were British, the United States being the second largest supplier with 1,008 cars. At Oporto's motor-car and aircraft show 18 of the 44 exhibitors are British. The car exhibition, claimed to be bigger than the recent Paris show, has a cinema specially installed by the British

FINANCIAL TIMES

Thursday May 8 1997



Japan is set to clear way for stock options

By Gillian Tett in Tokyo

Japan's parliament is poised to pass legislation today that for the first time would permit companies to offer stock options to employees. An important parliamentary committee threw its support behind the scheme yesterday.

Stock options are, in effect, banned under Japan's current commercial code, but parliament's likely backing for legal changes approved by its judicial affairs committee is expected to prompt several leading Japanese companies to unveil stock option schemes in com-

Traditionally, sales performance has been the key determinant of Japanese managers' pay, but the likely introduction of stock options, a common executive perk with US and UK companies, could refocus corporate Japan's attention on share prices.

Japanese companies rarely pay the same degree of attention as US counterparts to share price levels because the bulk of their shares are held

Cook seeks

UK's presidency of the EU

which begins next January. Mr Cook's determination to

forge closer ties appeared

almost too much for Mr Kin-

kel, who shied away from

endorsing the idea of a trian-

gular relationship, underlining that all three states had impor-

tant roles to play in the EU.

But he was clearly delighted

at the new start and stressed

Bonn had a "vital interest in

good relations" with the UK.

Thomson

Continued from Page 1

be a loan, and £165m will be

an investment in bonds which

Lagardère will issue to finance

However, government offi-

cials said that neither bid for

Thomson would be examined

until after the final round of

the French parliamentary elec-

privatisation, but the opposi-

tion Socialists have said they

will stop the sale if they win

The contenders for Thom

and Thomson-CSF shares.

Europe today

Most of Europe will be unsettled and

Lufthansa

also revealed some of the fin-

ancing plans for their bids.

auction

its bid.

new start

Continued from Page 1

Change could shift corporate focus from sales to share prices

by friendly business partners -making predatory threats rare. Daiwa this week became one of the first of the big securities companies to indicate its interest in stock options for employees. It said it would ask shareholders to approve a scheme next month. Its shares rose Y20 (15 cents) yesterday to close at Y900, partly because of this, analysts said.

Last month shares in Toyota rose after the car manufacturer hinted it was considering a share option scheme. Mr Masaya Miyoshi, director

general of the Keidanren, Japan's employers' federation, yesterday suggested that about a dozen leading companies might indicate their support for the schemes during the course of the summer. "These will probably be the big well-known names." he said.

Nevertheless, it remains unclear whether the big companies' interest will be matched by smaller Japanese groups, partly because the tax implications of stock options remain uncertain. The Keidanren is stepping up its lobbying for broader changes in the tax laws to ensure that companies are not penalised if they introduce stock options. "The tax tant," Mr Miyoshi said.

Stock option schemes offer employees and executives the chance to buy shares at a fixed price within a certain period. They have long been popular in the UK and US because they encourage managers to take an interest in the performance of the company, as reflected in the share price.

Some Japanese companie have circumvented current law by issuing bonds with warrants - which give a right to purchase shares at a preferential prices - then buying in the warrants and issuing them to

Editorial Comment, Page 13

Beijing may let companies issue bonds overseas

By James Harding in Shanghai

China may allow large state-owned enterprises to issue bonds on international markets in a move to help finance the reform of state sector companies into modern, commercial businesses.

Foreigners have limited access to investments in China's giant industrial enterprises, as the small number of corporate bond issues has been restricted to domestic buyers.

Authorities in Beijing may now relax the rules to allow leading state-owned companies to issue corporate bonds overseas, offering an opportunity to international investors keen to harness China's economic growth. As part of the transition to a market economy, the government announced last month that some top industrial enterprises would be able tions on June 1. The current | to issue convertible bonds for rightwing government is com- domestic investors, a modest

> China's cautious reformers are keen to tap foreign sources of funds, but without diluting Chinese ownership of flagship corporations. International bond issues answer the urgent need for capital but maintain control in Chinese hands.

Lagardère said if it won the The proposals being considdefence company, it would pay for it partly through a FFr5bn ered by officials at the State (\$860m) bond issue, convert-Planning Commission would ible within a year into cash enable only leading industrial companies with a good record

of debt repayment, profitability and asset structure to issue international bonds.

An article yesterday in the China Daily, the official newspaper, confirmed that Beijing will gradually give state firms the right to issue foreign bonds", but gave no timetable for reform nor any indication of the enterprises which would be entitled to approach foreign investors.

Western bankers in Beijing expect Chinese corporate bond issues would be welcomed enthusiastically by foreign investors. A representative of Merrill Lynch, the US bank, said: "There is a growing demand for quality Chinese credits. If they [the companies issuing bonds] are in strong shape financially, they will be very well received."

Under existing regulations, a small number of financial institutions has been authorised to issue debt overseas.

Some of the money has been redirected into state enterprises, but the companies have been barred from approaching international markets directly. Weighed down by a legacy of poor financial controls, they now require substantial sums to finance fundamental restructuring.

Complex loan, Page 22

FT WEATHER GUIDE

Switzerland aided Nazi war effort, says US

Switzerland and other neutral

which follows the most intensive investigation of documents in the US national archives ever undertaken. denlores the behaviour of neutral countries during and immediately after the war.

under pressure from Jewish groups, which have threatened to boycott Swiss banks unless US and its allies.

land's foreign minister, said the report was an "important contribution" to the investigations into the period.

and other neutral states "pursued vigorous trade with the Third Reich had the clear effect of supporting and prolonging Nazi Germany's capacity to wage war," said Mr Stuart Bizenstat, who co-ordi-nated the study by 11 US gov-

described as "one of the greatest thefts by a government in history" - the confiscation by Nazi Germany of \$580m worth of gold from central banks in the countries it occupied, plus undetermined amounts stolen from individuals.

In March 1945, only days after promising the Allies to freeze German assets and stop trading in German gold, the Swiss government made an agreement with the German central bank that reversed this pledge, the report finds.

In negotiations after the war, the Swiss government's stance was "inexplicable" and "obdurate", reflecting its "unwillingness to embrace allied proposals to turn German assets . . . to the benefit of ravaged Europe and stateless victims of the Holocaust".

such as Spain, Portugal and Turkey, were also unhelpful in although Sweden was co-opera-

believe there is enough evidence to warrant allegations that the Swiss National Bank bought gold from Germany which contained gold melted down from Holocaust victims. Mr Cotti said that if the evidence was true then it was

grave news of the most shocking nature".

Allies mixed up 'victims' gold', Page 2

report By Bruce Clark in Washington

nations boosted the Nazi war machine by accepting looted gold and trading with Germany, according to a US government report released yes-The keenly awaited report,

But the study, launched

they acknowledge their wartime role, finds fault with the Mr Flavio Cotti, Switzer-

The fact that Switzerland

ernment agencies.
The subject of the report is

Other neutral countries

post-war negotiations, tive, the report says.

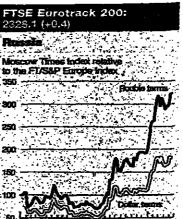
THE LEX COLUMN Starchy diet

When Imperial Chemical Industries spun off Zeneca four years ago it did its shareholders a good turn but ripped the backbone out of its own business. Yesterday's £4.9bn ow Times Index relati (\$7.9hn) purchase of Unilever's speto the FT/S&P Europe Index ciality chemicals division puts it back again. With steady, high-margin earners like National Starch onboard, a suitably stiffened ICI will be better placed to stand up to the gales of the bulk chemical cycle. For such a strategic acquisition, ICI is paying a very strategic price. Assuming revenue growth of 8 per cent, steady margins and cost savings of perhaps £30m, the

acquired businesses will produce after-tax free cash flow of around £280m in their first full year - a return of just 5% per cent on the £4.9bn price tag. That figure falls well short of ICI's own weighted average cost of capital (WACC), even allowing for the fact that, by funding the acquisition entirely with cheaper debt, the group's WACC drops from 11 per cent to around 9 per cent.

The question is whether ICI can close this gap in other ways. Under a new parent, the aconfred husinesses should be able to increase sales to Unilever rivals like Procter & Camble. They should also bring much-needed marketing flair and a more international culture to old ICI - a transformation by which Mr Charles Miller Smith, ICI's chief executive and an ex-Unilever man, sets great store. And the group could unlock significant value through its £3bn disposal programme, by selling poorly-performing bulk chemicals businesses. While the numbers suggest that ICI has overpaid, having taken such a bold step the management deserve a chance to make their case.

CVRD President Fernando Henrique Cardoso of Brazil was yesterday hailing the success of the part pri-vatisation of CVRD, the world's largest from ore producer. Up to a point he is right. After all, the 20 per cent premium over the floor price paid by CSN, the winning consortium, was at the top end of expectations. But beyond that, the only sizeable pool of capital there is less to crow about. For a start, the defeated Votorantim/ Anglo American consortium looked better organised and equipped to Russia's managers to grab big extract value from CVRD. And the chaotic progress of the whole bid has hardly been an inspiring adver-will surely prevail. Raising their tisement for privatisation the Bra- company's share price by reinvest-



The outcome of the bid is a setback for Anglo American - and comes uncomfortably soon after it saw its plans with Lonrbo derailed by the European Commission. Its Management will be keen to put an early end to this losing streak. And they will justifiably regret losing access to the blue-sky mining poten-

tial in the north of Brazil, especially if, as looks possible, Anglo American's South African rival Gencor manages to sneak in the back door. But shareholders should not fret. Given the political constraints on restructuring CVRD, it would be difficult to earn back the 20 per cent premium. And most will not need reminding of Independence Mining, the US gold operation for which Anglo's offshore arm, Minorco also part of the defeated consortium - paid well over the odds. The corporate halo may be looking a bit tarnished, but investors should be happy with an honourable defeat rather than a foolish success.

Russia

There is a comforting illusion among foreign investors in Russia that the tatty corporate governance regime will mend itself. Russia's corporate bosses are so tantalised by raising capital abroad that they will increasingly play the shareholders' game. Foreign money is available to most Russian companies. Moreover, a fast and dirty privatisation programme has allowed shareholdings in their enterprises.

ing will seem more tempting than diverting money out the backdoor.

But if any lesson can be drawn from Russia's past it is that practice diverges from theory. The inevita-ble march of history invariably disintegrates into a random shuffle There is now an urgent need for the government to give the capitalist transformation a shove by shaping the development of the market

A fair tax regime would encour age companies to disclose rather than conceal their profits. A transparent judicial system would bolster investors' confidence. And a securities commission with powers to launch criminal prosecutions would deter bad behaviour. Russia's market ideologues, currently in the ascendant in government, are rightly suspicious of the dead hand of the bureaucrat given the country's Soviet inheritance. But, to use the fashionable jargon, it is a question of reinventing rather than restoring the state.

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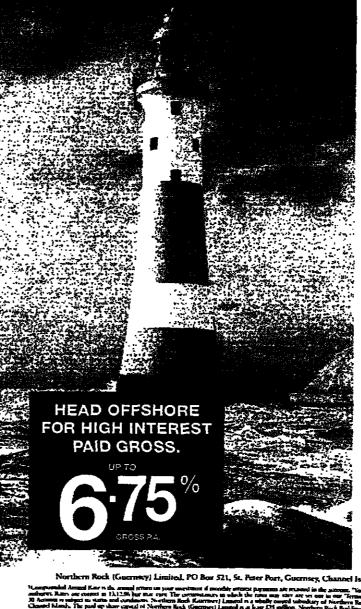
TARRETTE

Dalgety

Since 1995, Dalgety has swapped around three-quarters of its business assets - and the management has made a dog's dinner of it. The strategy of getting out of highly competitive snack foods and sauces and concentrating on petiood was sound. Moreover, the group's Felix cat food brand has done well, with Mars failing to capitalise on its dominant market position. Dalgety's problem has been the woeful execution of its £465m acquisition of Quaker's petfood business. It has failed to match demand with supply, due to mistakes in reconfiguring European production. As result, it is increasingly doubtful that the group has a viable independent future.

At least the latest disasters provided an excuse to cut the dividend. Dalgety was having to skimp on capital expenditure to fund a scarcely covered payout. And the only reason for not cutting the chief executive as well is that with a new chairman, finance director and head of petfoods, Dalgety needs someone who knows the business at least in the interim.

With all this thrashing around the sharks must be circling. Nestle. Heinz, Ralston Purina or even Asso ciated British Foods could be interested. But the complexities of selfing off unwanted businesses like US distribution might put them off the scent. In the circumstances, the shares are still best avoided.



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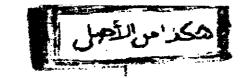


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cool. Only the most easterly sections will still be warm and sunny. Tropical temperatures are expected around the Black Sea. 1010 Across the Balkans, it will be significantly cooler, with thunder Rain will spread from southern Britain to western France during the Germany and the Benelux will have scattered rain and hail showers, with temperatures far below seasonal levels. There will be some snow in the Austrian Alps and the Carpathians. Five-day forecast Eastern Europe will turn slightly cooler on Friday, but will then get gradually warmer. Western Europe periods mixed with some showers. The risk of hail and thunder will Southern Italy will turn dry sun 17 shower 18 fair 20 shower 18 fair 26 fair 30 shower 15 fair 30 shower 15 fair 30 shower 15 fair 30 shower 13 shower 13 fair 42 shower 13 fair 42 shower 18 fair 29 shower 18 fair 29 shower 18 fair 30 shower 9 Rangoon Reyidgadik Rio Rome S. Fraco Seoul Singapore Strockholm Strasboury Tangler Tel Arly Tokyo Toronto Vancouver Venice Warshaw Washingt Wellingtor Winnipeg Zurich Frankturt Geneva Gloraltar Glasgow Hamburg Helsinki Hong Kong Honokul Istarbul Jakasta Jersey Kurrah Kurrah Kurrah Kurrah Las Palmas Lima Lisbon We can't change the weather. But we can always take you where you want to go.







FINANCIAL TIMES COMPANIES & MARKETS

Thursday May 8 1997



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Viacom posts \$19m net loss

Sharp declines in operating income at three of Viacom's four core divisions drove the entertainment group into a first-quarter net loss of \$19m, compared with earnings of \$28m last year.

Endesa ends partnership with BCH Endesa, the dominant Spanish electricity group, has ended a wide-ranging industrial partnership with Banco Central Hispano, the big domestic retail bank. Page 17

CNA posts investment income fall A significant fall in investment income forced CNA Financial, the largest US corporate insurer, to announce first quarter profits significantly below analysts' expectations. Page 18

plex loan for Chinese metals group Crédit Lyonnais has arranged a \$180m 10-year loan to China's state metals company - the longest-term syndicated loan extended to a Chinese corporate borrower. Page 22

Microsoft to acquire Dimension X Microsoft announced an agreement to acquire Dimension X, a San Francisco developer of Java programs used to create interactive features for multimedia Internet Web pages. Page 18

PolyGram clinches Alan Parker deal PolyGram, the Dutch entertainment group, has expanded its film production interests by clinching a "first-look" deal with Alan Parker, the British director of Evita. Page 17

Australia's airports set for takeover US and European airports operators are set to take over Australia's airports in the first tranche of a privatisation programme. Page 16

Airbus Industrie net profits fall Net profits of Airbus Industrie, the European consortium, fell last year to DM707.3m (\$411.2m) from DM854.6m in 1995. Page 17

Peter Sutherland to be BP chairman Mr Peter Sutherland, deputy chairman of British Petroleum, is to succeed Sir David Simon as non-executive chairman, following Sir David's appointment as a minister in the UK's Labour government. Page 21

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Toyota announces new Euro-car

UK is still in the running to get 200,000 capacity plant

Toyota is developing "a completely new kind of small car for the European market" which is likely to start produced at an annual rate of production at a European plant in 2001, Mr Hiroshi Okuda, the company's presi-

dent, said yesterday. A decision by Japan's largest car maker on whether to go ahead will be taken in mid-1998. A number of possible European factory sites including a third phase of expansion at Toyota's Burnaston plant in the UK - are still under consideration.

Mr Okuda refused to indi-

build the car, which would be Ford Escort-sized family car increasing capacity by more

up to 200,000 a year. Toyota would need to spend an estimated extra \$500m with European component suppliers. Most of the beneficiaries would be the 200 componentmakers supplying the Burnaston plant in Derbyshire.

"We are well satisfied with our relationship with most of our British and European suppliers and would want them to continue," said Mr Okuda. He was in Brussels to unveil

which goes into production than 50 per cent to 200,000 alongside the existing Carina E model at Burnaston next year after an investment of £200m (\$320m).

Mr Okuda disclosed a higher production target for Burnaston of 220,000 cars a year more than double the present output of 100,000 Carinas after the Corolla comes on

He also confirmed that the company would invest a further £60m at its engine plant cate a preferred location to a new version of the Corolla, a on Deeside, North Wales,

units a year.

Sites throughout western and central Europe have been examined for the new small car. Unlike the decision to locate at Burnaston, where Toyota made it clear that the availability of aid was not a factor in its choice, this time the company is understood to be planning to take advantage of financial aid where it is offered, subject to other crite-

ria being met. Mr Okuda insisted, however, start considering detailed packages of proposed aid. At the top of the list of criteria was access to a flexible and capable labour force, able to produce high-quality vehicles.

that Toyota was not ready to

Whether or not a country was signed up to a European single currency was "near the bottom of the criteria", he This is a reference to Toyo-

ta's indications earlier this year that it might be favoura-

etary Union in future invest-ment decisions. Mr Okuda stressed that the Labour party's election victory in the UK, and its less hostile approach to Europe, had produced "no major change of policy" towards possible further investment in Britain.

Despite intense pitches for the production site for the new car by a number of countries, including France, British Department of Trade officials believe the UK has not been ruled out of the running.

However, Mr Okuda said he had never heard of a £100m "sweetener" which some bly influenced by a country's reports had suggested was membership of European Mon- being put forward by the UK.

Cost-cutting helps airline post first positive figure for period

Lufthansa records quarterly profit of \$11.6m

Lufthansa yesterday presented evidence of success in its drive to cut wage costs as it posted its first ever first-quarter profit despite a 37 per cent surge in fuel prices.

The German airline last year set out to cut costs by DM1.5bn (\$87bn) or 15 per cent by 2001, a move which prompted warning strikes until a more flexible wage deal was agreed.

Mr Jürgen Weber, chair-man, said the cost-cutting had reduced personnel expenses by 0.6 per cent following a 6.6 per cent rise during 1996.

Lufthansa recorded a DM20m pre-tax profit in the first quarter, compared with a DM49m loss in the same period a year earlier. Turnover rose 8.5 per cent to DM4.9bn.

been for job cuts in the second ness, where volume had half of last year, capacity adjustments, cuts in expenditure and many other measures, we would not have DM20.9bn. Profits before tax absorbed the additional burdens" of a rising fuel prices and a lower D-Mark.

make a loss in its home mar- was enjoying "growth rates in ket. It said its better overall some areas which we have performance was largely due never had before in the "in the course of this year". It



Firm hand: Lufthansa chairman Jürgen Weber announces first-quarter profits yesterday

Mr Weber said: "Had it not to stronger transatlantic busi- history of Lufthansa". already has an alliance with increased 23.2 per cent. Mr Weber expected sales for the full year to top last year's last year were DM686m, 9.3

Lufthansa continued to was intense but the company

per cent down on 1995.

However, some analysts were suspicious that buoyant figures may have have been inflated by extraordinary

Mr Weber said the airline's alliance with SAS, the Scandi-Mr Weber said competition pavian airline, had produced substantial synergies. Lufthansa was seeking a new partner in Asia, to be announced

Thai Airways.

Mr Klaus Schlede, chief financial officer, said the group's freight business was at last showing an improvement in its earnings performance". It made a record loss before tax of DM60m last year but losses were now lower.

The airline plans to pay an unchanged dividend of 50 pfennigs.

Dalgety to cut dividend after profits warning

By David Blackwell

Dalgety, the UK petfood and agribusiness group, is to cut its dividend by a third after warning yesterday that second-half profits would fail to match the £43m (\$70m) in the first six months.

It blamed problems caused by BSE or mad cow disease, the strength of sterling and production problems.

The group announced provisions totalling £36m, mainly to cut petfood manufacturing costs. Sterling's strength is expected to knock about £8m from this year's profits, which analysts are now expecting to he £80m-£85m.

A year ago the market had expected profits for this year. ending on June 30, to be about

The shares fell 41%p to 269p, raising questions over the group's vulnerability to a takeover bid. Among international groups known to be interested in expanding their petfood business are Nestlé and Heinz.

company's performance. "Pet-customer demand at a confood has been a complete £8m in the third quarter. disaster," said one. "It's not a sales problem, but a failure to get production right."

Mr Nigel Garrow has resigned as chief executive of the petfoods division, which has been plagued by production problems since the £442m purchase of Quaker's European operations two years ago. The problems have been exac-

erbated by the BSE crisis,

which led to a ban on the export of UK meat products. Mr Garrow has been

replaced by Mr Hugh Donaldson, who has experience in reorganising manufacturing operations at ICI and Zeneca. Mr Donaldson was called in

as a consultant in March by Mr Richard Clothier, chief executive, and Sir Denys Henderson, the former ICI chairman who became Dalgety chairman last December. Mr Clothier said the group

was now two to three years behind on its plans to become the second largest European petfood producer. But the objectives were "still achievable, albeit rather late". He said the group had under-

estimated the task of integrating the Quaker business. BSE had then "struck at the most inconvenient moment".

Three inefficient continental plants had been closed last year, and the group was relying on the UK for surplus capacity. But breakdowns at a major UK plant had meant Analysts were critical of the shifting production to meet customer demand at a cost of

> Among quoted food and agribusinesses, Dalgety has been hardest hit by BSE because of divisions, petfoods and agricultural feeds.

The company said the final dividend will be not less than 6p, cutting the total from 22p to not less than 14.5p.

Lex. Page 14

North American investors take brunt of Bre-X losses

By Bernard Simon in Toronto

22

North American institutional and retail investors appear to be the main victims of the gold hoax perpetrated at Bre-X Minerals' Busang site in Indonesia. But Canadian securities firms, some of which face criticism for aggressively promoting Bre-X shares, are expected to weather their losses without serious problems, according to the Canadian Investment Deal-

ers Association. Bre-X shares lost almost all their value this week after confirmation that Busang contained virtually no gold. They were trading yesterday at 9 cents, having reached a peak last May of C\$28.65.

Several investors have disclosed substantial losses. The Caisse de depot et placement

sion fund, estimated its loss at about C\$70m, but the pain appears most severe among small investors, many of whom were urged to invest by

analysts and salesmen. Mr Tony Beale, director of Moss Lawson, a Toronto securities firm, predicted: "There are going to be a lot of personal bankruptcies. A lot of people ill-advisedly borrowed money, with little or no knowledge of the stock market." Precious metal mutual funds

typically had between 1 and 6 per cent of their holdings in Bre-X. The unit price of a Toronto-Dominion Bank fund has tumbled 22 per cent since late March Among securities dealers,

First Marathon, one of the most active traders of Bre-X shares, disclosed it lost C\$4.5m du Quebec, a public sector pen- from what it called "a pretty

Dealers also face losses from

calls on clients who bought shares on margin. But Mr Greg Clarke of the IDA said firms with large exposures were generally those with the strongest balance sheets. He said there were no solvency concerns, based on a survey in March when firms were advised to value Bre-X holdings at zero. First Marathon said its posi-

Investors' ire has been directed mainly at Nesbitt Burns, whose gold analyst was a Bre-X cheerleader.

however. Oppenheimer & Co, the US securities house, said it gained about C\$10m recently by selling the shares short.

Fall-out from Bre-X, Page 20

Beijing warms to Jardine

China's top economic official yesterday met the chairman of Jardine Matheson in Beijing's leadership compound, signalling a warming of relations with the British-backed Hong Kong conglomerate.

The meeting between Mr premier in charge of the economy, and Mr Henry Keswick was an attempt to reassure tional companies that business would be unaffected by Hong Kong's return to China in

July. "If they are giving this kind of respect to Jardine, which is a symbol of corporate colonial- Mr Lu Ping, China's top offiism, then they are sending a cial on Hong Kong affairs. Ear-

community." said one Euro- Jardine Matheson would be pean investment banker.

has adopted an uncompromising stance on the political issues arising from the transition, it has been eager to bolster business confidence. Speaking after the meeting

Zhu Rongji, senior vice- in the Zhongnanhai comupbeat assessment of his talks with Mr Zhu. "He welcomed Jardine and other interna- our range of activities and numerous joint ventures in China," he said. "His interest Hong Kong businesses was positive and encouraging."

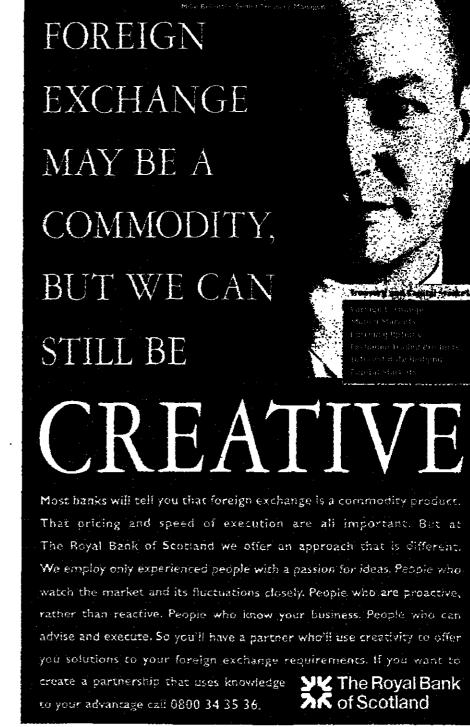
The Jardine chief also met

By John Ridding in Hong Kong broader signal to the business lier this year, Mr Lu said that given equal treatment in its He added that while Beijing mainland dealings, clearing the way for the group's participation in securities and infrastructure contracts. Mr Alasdair Morrison, man-

aging director, who was also at the talks, said the group was committed to expanding in pound, Mr Keswick gave an Hong Kong and the mainland. These signals mark a sharp

change from the early 1990s, when Chinese officials criticised Jardine for its support of the Governor Chris Patten's in the development of our political reforms and its decision to de-list from the Hong Kong stock market.

> Wallflower Swire to join the party, Page 16



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Business surges at Nomura pensions arm

By Gillian Tett in Tokyo

Japan's largest pension fund manager, Nomura Investment Management (Nimco), experienced a surge in business last year as Japanese companies became more discriminating about the way they invest their

Funds under management at the group soared from around Y2.730bn at the end of March 1996 to a provisional Y3,684bn (\$29.4bn) a year later, senior officials said increasing power that groups such as Nimco are acquiring in Japan's vast pension fund sector. as companies become more market-oriented in making investment decisions for their pension

Nimco's presence in the financial services sector is set to become even stronger, as it plans to merge with Nomura Investment Trust, the mutual fund arm of the Nomura group, later this

broker earlier this year after it have been hurt. became tainted by scandal. Nimco has subsequently been at pains to stress its independence.

The surge in business also illustrates the pressures on Japan's and pension fund managers are life assurance sector, which not listed and levels of disclosure recently saw the first closure of a are poor. company - Nissan Mutual - since the second world war.

As Japanese companies increasnies in which they have tradition- accounts last year, as companies

holdings, but stopped using it as a life groups such as Nissan Mutual

Information on where Japanese companies are placing their pension assets is elusive, as most of the investment adviser groups

However, data on the life assurance sector to be published later this summer is expected to show ingly move money out of the trust that the industry lost about banks and life assurance compa-Y7,000bn of assets from its general

investment vehicles. Some of the money is believed to have gone into trust banks and

other affiliates of the life assuralso appears to have been moved into the investment adviser

This sector has only recently emerged as a force in Japan and controls only a tiny part of the Y240,000bn pension system, but it has been growing fast.

The results highlight the Securities through cross-share- ally placed their assets, weaker moved their money into new aged by the investment advised sector rose from Y4,925bn at the end of March 1996 to Y11,582bn 8 year later.

In addition, advisory pension ance groups, but a large part of it funds managed by investment advisers rose from Y1,912bn to Y2.192bn in the same period.

Nimco sees this trend continuing. It expects its own pension fund portfolio to grow by about Y300bn every six months. Mr Luke Katayama, a director of Nimco, said: "Companies are Provisional data suggest that looking for higher-performing

perception, the Swire chief

admits, that UK companies

will find life harder under

the Chinese flag.

organisation.

ate after July.

business playing field.

be hard to adjust. "It could

be several months into the

new administration before

the penny drops that noth-

looking forward to the hand-

over. Swire Pacific might

then be able to join the

John Ridding

That leaves Mr Sutch

ing is changing," he says.

Unicom eyes HK Telecom

China

By John Ridding and Louise Lucas in Hong Kong

China Unicom, China's second state-owned telecom munications company, has expressed an interest in taking a stake in Hongkong Telecom, fuelling speculation about a share restructuring in the territory's dommant operator.

Speaking after a conference in Hong Kong, Ms Li Huifen, president of China Unicom, said the company had held talks concerning co-operation with Hongkong Telecom and was interested in acquiring a stake. However, any purchase must be decided by China's state

Swire is not alone: Jardine Ms Li's comments came Matheson's shares have after a sharp rise in Hongunderperformed the Hang kong Telecom's share price Seng index by 17 per cent on Tuesday.

this year. But it is a percep-They follow frequent tion that clearly bothers Mr reports that Cable & Wireless, the operator's control-ling shareholder, will reduce "I think it is wrong," he says. "I get quite irritated by its stake ahead of Hong the suggestion that we Kong's return to China in always had the key to the July. Hongkong Telecom back door of Government faces pressure given its House. That is not the way dominant presence in a strathat Hong Kong works and it tegic industrial sector. is not the way we work as an

However, the company Nor, he believes, is it the has declined to comment on prospects for a capital way the territory will operrestructuring, Cable & Wireless has also played down "It is like so many other reports of a shake-up. things in Hong Kong.

Citic Pacific, on the other Around the world everybody hand, the Hong Kong arm of is looking at what could theoretically go wrong and Beijing's flagship investhaven't looked at the track ment vehicle, has said it is record of what is actually reviewing holding its 8 per happening." he says. cent stake in Hongkong responding to concerns Telecom. The conglomerate. which has acquired strategic about forced deals and the stakes in several Hong Kong risk of a mainland tilt in the industries, is also a sharebolder in China Unicom. Perceptions, however, can

Despite its powerful back ers, analysts expressed scepticism about whether China Unicom could afford a stake in Hongkong Telecom. "They don't bave any cash," said Mr Jeff Camp, at Morgan Stanley.

The company is also facing resistance to its expansion plans from the Ministry of Post and Telecommunication, the main Chinese tele-

One telecoms analyst at a

European bank said there were few mainland-backed companies in a position to buy a significant stake in the Hong Kong operator. "With a market capitalisation of more than HK\$152bn (US\$19.62bn), any partner would need pretty deep pockets or a pretty ingemions deal " he said

"The problem for investors and for the business a forced deal or a deal on unfavourable terms for

Wallflower looks forward to joining the party

Tradin

19.9%

95.96

Swire has underperformed the HK market by 15% this year while shares in China-backed companies have surged

wire Pacific might seem to investors like a wallflower at a wild party. While shares in China-backed companies have surged, ahead of Hong Kong's handover, the blue-chip conglomerate has underperformed the Hang Seng index by more than 15 per cent since the beginning of this year. In Hong Kong's volatile

market, executives and analysts caution against reading too much into share price swings. But the message from the market raises important questions. Is the market's judgment justified by Swire's performance and prospects? And, more broadly, does it signal tougher times ahead for UK-backed groups after July's return to China?

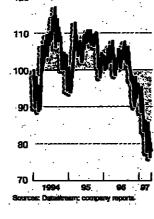
"We are not flavour of the aviation, industries and tradmonth." says Mr Peter ing, and withdrawing from Sutch, chairman. But he insurance underwriting. points to steady progress. In That may seem unexciting, 1996, Swire achieved net but it follows a landmark profits of HK\$7.65bn (US\$987m) - a rise of almost interests last year, in which 20 per cent. Excluding excep- Swire and mainland groups tionals, the increase was 10 per cent. which was still at the period after the handthe top of market expecta-

continue the sort of performance of the past 10 to 12 erty development project in years," Mr Sutch says, referring to average annual dividend growth of more than 10 per cent

The group has sharpened its focus - removing non- chunk of land which will core businesses from the underpin property develop-

Losing favour

Hang Seng Index



93 restructuring of its aviation upbeat about Swire's prospects. "They may be a bit nese rule. positioned themselves for conservative, but they are

Last month, the group sur-"We remain on track to prised the market by announcing a HK\$25bn proppartnership with Sun Hung

That deal was welcomed by the investment commu- out of property," he says, nity. "It gives them a big main divisions of property, ment sales past 2000, and

depletion of the land bank," savs Mr Anil Daswani, analyst at Salomon Brothers. Like a number of other analysts. Mr Daswani is

an extremely well-managed company," he says. Complaints that the group has not been aggressive backing of Governor Chris enough on the mainland, he argues, are not justified. "They have been active in their industries division, and

across the border. Mr Nam Park, analyst at ING Barings, argues that the

they have done well to be

referring to the property glut

eases concerns about the underlying business pros- of Cathay Pacific, the territo- lowing year, ING Barings pects at Swire are stronger than at Jardine Matheson, its rival UK-backed conglomerate. Others claim that Swire has played a good hand in preparing for Chi-

> 7 hile Jardine was long ostracised by Beijing for its Patten's democratic reforms, and Hongkong Telecom remains buffeted by speculation concerning the majority stake held by Cable and Wireless, Swire Pacific has built an alliance with Citic Pacific, the Beijing-backed conglomerate.

Citic now holds 25 per cent

ry's de facto flag carrier, and is involved in bottling and property projects. For Swire, which retains a 44 per cent stake in Cathay, the deal resolved a politically sensitive dilemma with relatively little pain, removing a cloud

for investors. still question marks about at a discount of more than 20 the stability of the pact, and whether Swire can remain as the biggest shareholder," says one aviation analyst. "But the deal cleared the air, so to speak, and lets inves-tors focus on fundamentals." That focus, however, still

appears obscured. Assuming net profits of HK\$9.23bn in 1997 and HK\$10.1bn the folsays the company is trading at a single-digit price/earnings ratio. While shares in Hutchison

Whampoa, the conglomerate controlled by Mr Li Ka-shing, trade at about their net asset value, and Citic Pacific is at a substan-"Longer term, there are tial premium, Swire trades per cent.

Part of the reason lies in lingering concerns about prospects in the aviation sector and the company's strategy of gradual expansion on the mainland.

But it is also hard to avoid the UK connection in the party. share price performance. "There is no doubt about it,"

Thailand to buy Natuna gas

By Ted Bardacke in Banckok

Mr Korn Dabbaransi, Thaitiations are continuing, but gas at the platform, with

in 2005 and will be doubled South China Sea are thought two years later, according to to be one of the largest gas developments in the world, Development cost has

been estimated at between shore gas fields, while an Thailand plans to buy the \$20bn and \$40bn. Exxon, of the US, holds a 50 per cent PTT expected to construct stake in the project with Mobil holding 26 per cent and Pertamina of Indonesia

: San L

in a man and a man and a second Merrill Lynch wishes to thank the following

companies for making our Asia Pacific Investor Conference a success.

Aboitiz Equity Ventures ACP Industries Advanced Semiconductor Ayala Corporation Bank Bira Bank Internasional Indonesia Berjaya Group Berjaya Sports Toto Bharat Petroleum Co. Ltd. **Brierley Investments** Carter Holt Harvey CITIC Pacific Ltd. Citra Marga Nusaphala Persada **DMCI Holdings** Engro Chemicals Pakistan Faysal Bank Limited Guangnan Holdings Guangzhou Investments Housing Dev. Finance Corp. HSBC Holdings plc Jaya Tiasa Jilin Chemical Kawasan Industri Jababeka Kookmin Bank Lanna Lignite LGIC Lindeteves-Jacoberg National Aluminium Co.

National Mutual Asia Ltd. New World Infrastructure News Corporation Overseas Union Bank Philippine Long Distance PT Loudon Sumatra PT Satelindo PTT Exploration & Prod. Qingling Motors Ramayana Lestari Sentosa Reliance Road Builder Semen Cibinong Shanghai Industrial Holdings Silver Grant Int'l Ind. Ltd. Sino Land Co. Ltd. **Smart Communications** State Bank of India Sungei Way Taiwan Semiconductor Technology Resource Ind. Telekom Malaysia Television Broadcast Thakral Corp. Ltd. Tingyi Holdings Ltd. Tipco Asphalt Total Access Communications Want Want Holdings Ltd. Wong's Circuits Holdings

30 April-1 May 1997, London.



State-owned Petroleum land's industry minister. An with an estimated 46,000bn Authority of Thailand (PTT) option to increase the cu ft of commercially recovis set to buy 500m cu ft of amount to 3bn cu ft a day is erable gas. natural gas a day from being discussed. Price nego-

idonesia's huge Natuna offaffiliate company PTT Exploration & Production will Gas purchases will begin

By Nikki Talt in Sydney

announced yesterday.

Perth properties.

sation

US and European airports

operators are set to take

over Australia's airports in

the first tranche of a privati-

The US-based Airports

Group International, BAA of

the UK, and the Dutch

Schiphol group were among

the winning consortia for

the Melbourne, Brisbane and

Australia's federal govern-

ment will raise a total of

A\$3.37bn (US\$2.62bn) from

programme

an undersea pipeline to

The Natuna fields in the the remainder.

ter, admitted the prices were

substantially higher than

the government had expec-

ted. "We are very, very

pleased . . . it wasn't within

The highest successful bid

tranche of the sale.

Australia airports to raise A\$3.3bn the first tranche. Mr John was A\$1.387bn, paid by the Fahey, federal finance minis- Brisbane Airport Corpora-Schiphol. Australia's Commonwealth Bank, the Port of

> our expectations in the Financial Services, CBA's lead-up to [the sale]," he fund management arm. Australia Pacific Airports Initial estimates had made a successful A\$1.307bn suggested a price-tag of only A\$2bn for the three facilities offer for Melbourne's Tullamarine airport. APAC complus the larger Sydney airprises the AMP Society, Ausport, which was eventually tralia's biggest life office excluded from the first (49.9 per cent), Axiom Funds Management (25 per cent)

and BAA (25.1 per cent).

ment, a local infrastructure tion. BACL is made up of investment specialist, is also expected to acquire a 10 per cent stake in APAC from Brisbane, the local city coun-BAA, reducing the latter's cil, and Commonwealth holding to 15.1 per cent. Perth airport was bought

by Airstralia Development Group - which comprises Infratil, an infrastructure company, with 49 per cent, AGI with 16 per cent, and Hastings with 35 per cent backers include Lockheed Martin, Soros Capital, GE Capital and SunAmerica.

DEUTSCHE FINANCE (NETHERLAND) B.V. US\$ ZERO COUPON BONDS OF 1997/2017 Exchangeable into Shares of Daimler-Benz AG Cusip 251546AB3 ISN US251546AB31 NOTICE OF ADJUSTMENT OF THE EXCHANGE RATE

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The Financial Times plans to publish a Survey on Hong Kong & China

on Monday June 16

The handover of Hong Kong to China will be one of the most closely lity for 6 mil

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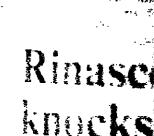
Issue Price 102 per cent.

with reference to the above issue, please be advised that the company will exercise its right, pursuant to condition 5(b) of the terms and conditions, to redeem the bonds at 100 per cent of the principal amount on 27th May, 1997.

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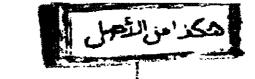
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THURSDAY MAYS IN

COMPANIES AND FINANCE: EUROPE

Endesa ends partnership with BCH

By Tom Burns in Madrid

Endesa, the dominant Spanish electricity group due for further partial privatisation later this year, has ended à wide-ranging industrial partnership with Banco Central Hispano, the big domestic retail bank

The two agreed two years ago to invest jointly in the treatment and gas, as well as telecommunications and power sectors, but the

second domestic telecoms operator.

growing aggressiveness of the cash-rich power group. Following senior management changes earlier this year, Endesa is now styling itself as an integrated industrial group open to alliances in sectors such as water telecoms

The shake-up is designed break-up of the alliance was to increase shareholder precipitated by rival bids for value in advance of the sale Retevision, the planned of half the government's 66

per cent stake in Endesa. AT&T, of the US, and Endesa and BCH became The split underlines the Pta750bn (\$5.2bn), the biggest disposal of state-owned equity in Spain.

In the battle to acquire consortium that includes enter their bids. France Telecom, Deutsche Telekom and Sprint, of the US. Endesa has joined forces with Stet, of Italy, to prepare a competing bld. Both consortia received access to Retevisión's full documentation yesterday, along with a third group composed of

The issue is valued at Germany's Mannesmann. ders have until next Monday

to declare the composition of their final shareholder struc- would merge their Retevi-Retevisión, BCH is leading a ture, and until June 9 to The government has set a minimum price tag of Pta45.6bn for 60 per cent of

> rights issue to take its stake to 70 per cent

The three potential bid- Airtel, the domestic mobile telephony operator. Speculation that Endesa and BCH sión bids ahead of Monday's deadline has been dismissed

by the power group.

Mr Rafael Miranda, Endesa's new chief executive. Retevision. The group that said yesterday that a lastacourires control will have to minute agreement to make a would be "very difficult".

"We are reconsidering the whole agreement [with BCH] range".

important shareholders in content," Mr Miranda said "In the telecoms sector we are going in different directions, and we want the break to be peaceful."

Stet was chosen by Endesa as a partner for the Retevisión bid because the Italian company valued the power group's fibre-optic network more highly than did France Telecom, BCH's main partsubscribe to a Pta25.3bn joint offer for the operator her. Mr Miranda said that the difference in the valuation was "in the three-to-one

EUROPEAN NEWS DIGEST

Equities sales bolster Merita

Merita, the Finnish banking group, yesterday reported first-quarter earnings up sharply on the same period last year, but bolstered by gains from equities sales. Operating profits after credit losses were FM934m (\$183m), up from FM233m a year ago. The results were boosted by a FM584m gain on the reduction in the company's equity portfolio, by FM2.6bn to FM4.3bn. Merita said net income from securities trading rose from FM295m to FM854m a year earlier. The total includes income from own-account securities trading not related to its portfolio sales. The bank also cited lower costs as a factor in the profits surge.

Ina raises dividend 18%

Ina, parent company of Italy's second largest insurance group, announced an 18 per cent rise in its dividend this year to L65 a share, on the back of a 12.3 per cent rise in 1996 gross profits to L837bn (\$490m) compared with L745bn in 1995. Net profits rose 6.4 per cent to L421bn reflecting higher tax charges. Paul Betts, Milan

Aids payout put at DM460m

Bayer, the German pharmaceuticals company, said yesterday its DM460m (\$270m) compensation payout to surviving Aids patients and the families of Aids victims would be covered by insurance and earlier provisions, and would not affect profits. It said an agreement would be struck this week on the Aids cases, which arose when about 6,000 people were infected by contaminated blood products between 1978 and 1985. Three other companies -Baxter International of the US. Rhone-Poulenc Rorer, the US unit of Rhône-Poulenc of France and Alpha Therapeutics – are also involved in the case.

Deutsche Postbank chief quits

Graham Bowley, Frankfurt

Deutsche Postbank, the German postal savings bank, yesterday confirmed that Mr Günter Schneider, chairman had resigned ahead of schedule. He will be replaced by Mr Dieter Boening, of DSL-Bank. Mr Scheider's departure is thought to be a protest at the terms of an agreement for the bank to use the counters of the German postal Mark Mulligar

During their partnership. Investment banking grows at ABN Amro Commercial banking in North America provided an ABN Amro has been

By Gordon Cramb in Amsterdam

ABN Amro, the Netherlands' biggest bank, relied on investment banking activities for more than one-fifth of its pre-tax profits in 1996 more than double the proportion contributed by the bring in Fl L57bn. division two years earlier.

The earnings break-down was among items revealed for the first time yesterday in a prospectus for the bank's New York listing this

It shows that of its total Fl 4.79bn (\$2.47bn) profits last year, struck before taxation but after loan loss provisions, investment banking worldwide brought in

identical amount, showing vear-on-year growth of nearly 40 per cent. But the domestic branch network was still the biggest source of profits, though managing only 6.7 per cent growth to

The 21.3 per cent of the total attributed to investment banking last year compares with 16.5 per cent in 1995 and just 9.4 per cent the year before. Its centrepiece is Hoare Govett, the London stockbroker, while two months ago the bank completed the sale of MeesPierson, the Amsterdam investment bank, to Fortis, the Dutch-Belgian financial group.

steadily adding to its presence in centres such as London. For example, the prospectus shows it paid Fl 29m for Carrington Pembroke and Fl56m for Causeway Group, both based in London, last year. Lending activities world-

wide showed doubtful items of F19.9bn on a loan book totalling Fl 327.7bn. The group has seen rapid balance sheet growth, most recently through its \$1.9bn agreement to take over Standard Federal, the largest savings bank in the US Midwest. It has adopted what it sees as a conservative provisioning policy. Allowances stood at more than FI 9bn at the year-

Alan Parker: PolyGram aims to boost production capacity with deal for his films Desid Appl PolyGram woos film makers with deals

of Evita and The Commit- profit. ments, writes Alice Rawsthorn.

The deal, which is expecduced or directed by Mr. Parments with which PolyGram hopes to increase its film production capacity before the launch of its US distribution network this autumn.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, has production company.

Profits

decline

revealed

expanded its film production sion over the past six years. for feature films from televiinterests by clinching a It recently allocated up to sion companies. It has won "first-look" deal with Alan \$340m of additional invest- an exclusive pay-TV deal to Parker, the British director ment, hoping to bring it into sell all the feature films it

hoped to accelerate its group. expansion in film by acquisited to result in the release of tion, but after a number of opted to increase its producker, is intended as the first tion capacity by securing with David Fincher, director of Seven whose next film, The Game, will be released by PolyGram this autumn. through Egg Pictures, her

This deal, which encompasses the pay-TV rights to at least one film a year pro- unsuccessful bids, it has films such as Sleepers, Trainspotting and Fargo, follows a similar agreement whereby already secured agreements group, has a four-year agreement for PolyGram's fea-

> and pay-TV rights to its films in Italy.

PolyGram, the Dutch invested \$800m in setting up PolyGram is also looking entertainment group, has a film entertainment divito exploit growing demand distributes in Spain to Sogec-Originally PolyGram had able, the Spanish media

tures in France. The Dutch group hopes soon to conclude exclusive and the actress. Jodie Foster. deals for the sale of the free

Rinascente deal knocks shares

By Michael Skapinker, Aerospace Correspondent

at Airbus

Net profits of Airbus industrie, the European consortium, fell last year from DM854.6m in 1995 to DM707.3m (\$410m), Daimler-Benz Aerospace (Dasa) of Germany has revealed. This is the first time that Airbus profit figures have been published.

Dasa, which has a 37.9 per cent stake in the consortium, published the result in its 1996 accounts. Dasa is talking to the other Airbus partners - Aerospatiale, of France, which bas a 37.9 per cent stake: British Aerospace, with 20 per cent; and Casa, of Spain, with 4.2 per cent - about turning the consortium into a limited

The four partners, which aim to change the consortium's status by 1999, are discussing the form the company should take. Airhus is a groupement d'Intérèt Economique, which means its profits are earned by its partners rather than by the consortium itself.

Dasa and BAe are pressing for Airbus to take control of aircraft manufacturing and research, as well as sales and marketing.

However, Acrospatiale believes that manufacturing and research should remain the responsibilities of the partners, to ensure that national governments continue to invest in Airbus air-

craft programmes. BAe has attempted to reassure Aerospatiale by saying that all four countries will continue to host Airbus manufacturing facilities. However, it has maintained its view that the new company must take control of all aspects of civil aircraft research, manufacturing, sales and service.

By Paul Betts in Milan

Minority shareholders of Rinascente yesterday marked down the Italian retailer's shares nearly 8 per cent in protest at the structure of its alliance with Auchan, the privatelyowned French supermarket group. The deal announced on

Tuesday between the Agnelli Ifil holding – Rinascente's controlling shareholder and Auchan also angered international investors. One big US institutional

investor described it as "another Italian stitch-up job at the expense of small

shareholders".

However, Ifil shares,
which rose sharply on Tuesday, continued to climb yesterday, with the market forecasting significant benefits from the deal for the Agnelli holding.

Ifil shares gained L10 to close at L5205 after rising 4.8 per cent the previous day.

By contrast, Rinascente shares, which were suspended on Tuesday. closed 7.94 per cent lower at L8,615 after slipping nearly 10 per cent at one stage. The fall partly reflected Rinascente's decision to

launch a L780bn (**\$4**57m) capital raising to finance the L530bn acquisition of

Auchan's Italian activities. However, the main object of criticism was the other component of the deal: Auchan will invest L1,000bn in a 49 per cent stake in a new joint company which will absorb Ifil's 40.5 per cent controlling stake in

At this price, the value of Ifil's stake could be calculated at about L15,600 a share, a heavy premium to Rinascente's closing share price yesterday. "Once again it shows how

easy it is to bypass Italy's takeover regulations," said Milan broker yesterday. He echoed minority shareholders' complaints that a

deal of this size should have

involved a public offer. Consob, the Italian stock market watchdog, has already cleared the venture. However, many analysts continued to praise the industrial logic of the deal,

which is designed to help Rinascente expand. This will, in turn, enable Auchan to make significant inroads into the highly regulated Italian retailing

Bank Handlowy sale gets go-ahead

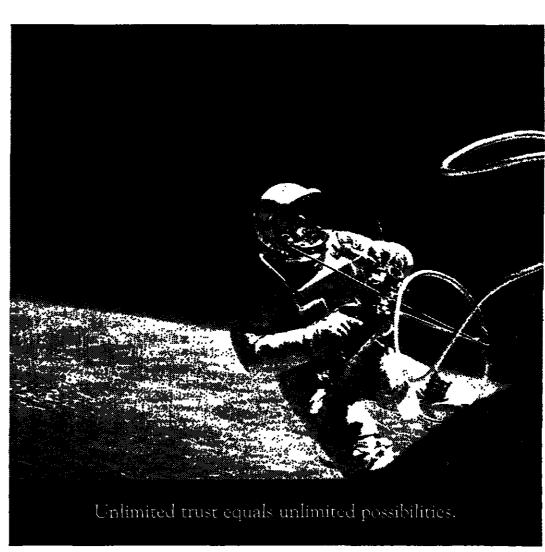
By Christopher Bobinski in Warsaw

securities Poland's commission has approved the privatisation prospectus of Bank Handlowy, one of

the country's largest banks. Mr Cezary Stypulkowski, the bank's head, said he was confident the sale would be completed by end-June. to place 43 per cent of the able.

offer privately, with a group of foreign institutional long-term investors, while the public sale will see institutions and retail investors buying a further 45 per cent of the offered stock.

Part of the public offer will consist of Global Depositary Receipts issued by the Bank of New York. The bank's employees are to be offered 7 The Treasury is planning per cent of the shares avail-



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TV only bright spot as Viacom reports loss

in Los Angeles

Sharp declines in operating slightly on better-than-expected income at three of Viacom's four core divisions drove the entertainment group into a first-quarter net loss of \$19m, compared with earnings of \$28m last year.

The television business, which includes the successful MTV music and Nickelodeon entertainment franchises, was the only sector to show progress, with operating profits up 17 per cent to \$160m from \$137m, on revenues 11 per

The company's stock, dented

acquires

Microsoft yesterday

announced an agreement to acquire Dimension X, a San

Francisco developer of pro-

grammes using the Java lan-

guage which creates interac-

tive features for multimedia

Internet Web pages.
The acquisition signals a

shift by Microsoft to

embrace the Java program-

ming language more whole-

heartedly, industry analysis

said. Until now, Microsoft

has appeared less than

Java

of the head of the troubled Blockbuster video business, rose per share results: a loss of 10 cent compared with earnings of 3 cents last time and predictions of a 16 cent deficit.

However, the video and music division, which includes Viacom's troubled Blockbuster rental and retail chain, bore the scars of a turnaround strategy that is expected soon to be ahandoned after its launch only a year ago.

Operating income fell 43 per cent year-on-year, from \$97m to \$55m, despite a 15 per cent rise in

tion, slid 15 per cent Although the group offered no

detailed breakdown of this decline, it had warned last week that Blockbuster's cash flow would be 15 to 20 per cent lower than last year.

Music stores, also under the the Blockbuster brand, posted "slightly positive" cash flow after a \$2m deficit in early 1996. Theme and music arm, reported a "slight" loss, the company said. Last week's warning accompan-

flow, defined as earnings before departure of Mr Bill Fields, hired soft drinks. tax, depreciation and amortisa- a year ago to revive Blockbuster, and named as a potential future chairman by the company's cur-rent head, Mr Sumner Redstone.

Mr Redstone said yesterday that rising revenues in all divisions demonstrated the group's underly- 30 per cent after excluding last ing strength, but offered no further insights into his plans for restoring Blockbuster's fortunes.

According to reports, he intends to re-focus the business on its origins in high-profit video rentals, reversing Mr Fields's policy of the Simon & Schuster label, widincreasing sales of film cassettes ened 24 per cent to \$58m as reve-

recently by the abrupt departure revenues. The division's cash led the announcement of the products ranging from popcorn to Operating income at the enter-

tainment division, which includes the Paramount film studios, TV per cent to \$95m in the quarter. But underlying cash flow was up year's one-time benefits at this level of film and programme licensing deals with Germany's Kirch

The operating loss at the publishing division, which includes and other "home entertainment" nues rose 2 per cent to \$399m.

performed the market drasti-

cally, continuing a trend

that has lasted almost a

decade. The under-perfor-

mance has continued so far

this year, with the S&P

paper sector up only 0.11 per

quity strategists, such

as Mr Michael & Co. as Mr Michael Metz,

now believe paper might

even offer relatively good

value. He suggests the

James River-Fort Howard

deal is the start of a consoli-

dation in the basic materials

industries, "where it is

cheaper to buy than to

industry analyst at BT Secu-

rities in New York, says: "If

you look at Scandinavia,

Mr Mark Wilde, paper



Sumner Redstone: offered insights into recovery plans

sell off some of the timber-

land to help pay off the debt

from the acquisition. And if

you are in the pulp and

paper business, I'm not sure

you need to own a lot of

Several companies are

now subject to bid specula-

tion. They include Bowater

of North Carolina, one of the

companies with big timber-

land assets, which might be

interesting for European or

Canadian companies looking

Jefferson-Smurfit's shares

leapt by 13 per cent on Mon-

day amid speculation that a

Morgan Stanley leveraged

equity fund was ready to sell

its stake, while, earlier this

year, Louisiana-Pacific had

to douse speculation that it

was seeking a buyer. It is

involved in litigation with

International Paper after hir-

ing one of its employees as

chief executive, and the com-

pany had said that it would

be "on the block" if he was

tion, the sector's best hope is

to wait for global demand,

particularly from China, to

pick up. According to Mr

Correll, of Georgia-Pacific:

"Luckily, paper demand

worldwide continues to

grow, so we'll grow our way

out of this mess if we don't

invest ourselves right back

Barring radical consolida-

forced to depart.

to enter the US.

As a result, US paper com- now have the ability to buy

panies' shares under- a paper company and then

Cisco off sales fears

By Louise Kehoe

Cisco Systems reported a 41 per cent jump in earnings for its third quarter, despite some international markets. The leading manufacturer of computer networking equipment, Cisco has expan-ded rapidly with the spread of the internet and corporate networks. Investors had been nervous, however,

in the sector. Cisco, however, produced results that were in line with Wall Street's expecta-

about a possible slowdown

Net sales for the quarter were \$1.6bn, compared with \$1.1bm in the same period

last year. Net income, excluding special gains, was \$358m, or 52 cents a share, up from \$245.6m or 37 cents a share in the third quarter of fiscal

Cisco recorded a pre-tax gain of \$32.8m from the sale of a stock investment. After taxes this added 3 cents a share, to bring total net income for the latest quarter

to 55 cents a share. Mr John Chambers, chief executive, said that weak economic conditions in Japan, Germany and France had put a damper on sales growth during the quarter. However, weakness in these markets may have bottomed, he added, adding that sales were "solid" in all

geographies during April. Sales of routers, Cisco's flagship products which direct data traffic on the Internet, also softened.

This was attributed to the imminent introduction of a new generation of faster routers which are expected to ship within the next six months

Mr Chambers remained

confident, however, that the networking equipment market would continue to grow at 30 to 50 per cent a year. Cisco's goal is to grow at or above this pace. The company's gross mar-

gin was flat at 55.3 per cent of revenues. Cisco has said in the past that gross margins could decline in coming

Cisco's net sales for the first nine months of fiscal 1997 were : \$4.7bn. an increase of 67 per cent over \$2.8bn last year.

Pro forma net income excluding special gains and a share, versus \$636.8m or 96 cents a share during the

Since January, shares o Cisco have fallen sharply from a 12-month high of \$75% amid concerns about a

Yesterday, however, Cisco's stock picked up \$1% to trade at \$58 in mid-s

Microsoft US pulp and paper industry turns a page

Mergers and appointments suggest that consolidation is under way at last, says John Authers

No escape from the cycle

know-how the US pulp and paper industry.

Stocks in both Fort Howard and James River rallied impressively in New York on Monday, when the companies announced they were merging in a \$3.6bn

The acquisition converted two medium-sized players into the second-largest manufacturer of tissue paper in the US.

More impressively, virtually all the leading paper companies gained on the news, as dealers assumed that broader consolidation for the industry was at last under way.

Nor were potential targets the only companies to gain. ated by consolidation." Larger players such as International Paper and Georgia-Pacific – both more likely to be acquirers - also gained more than 4 per cent on the

Wall Street was excited because the US paper indus- the paper market is only try is out of favour, and analysts believe consolidation is overdue. They believe that the existence of fewer companies would eliminate wasteful over-production. which serves merely to force paper prices down.

tion has already been firmly

onsolidation may at via and Canada, where Abilast be imminent for tibi-Price merged with Stone-Consolidated in February this year to form a new mar-

The US market now appears distinctly overcrow ded by comparison.

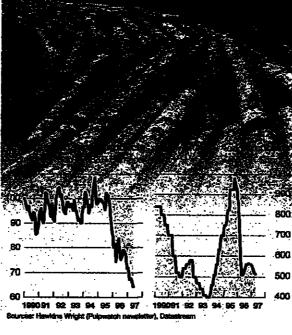
Several of the largest companies in the sector have appointed new chief executives during the last two years, stoking speculation that the industry is now ready for a shake-out Mr Pete Correll, chief exec-

utive of Atlanta-based Georgia-Pacific, suggests there "absolutely needs to be consolidation". He says: "This industry is the most fragmented capital-intensive industry in the US. A lot of efficiencies could be gener-

He adds that the paper industry, unlike those involving other raw materials, is not necessarily cyclical, as demand continues to grow steadily each year. He suggests as well that

cyclical because the industry has made it so, expanding capacity when times are good, and thus forcing prices down until capacity has been cut again. The American Forest and

Paper Association's latest Outside the US, consolida- annual survey of capacity shows that the industry plans to increase supply There have been several during the next three years, large mergers in Scandina- although at a much slower



rate than has been normal during the past decade. After rising at an annual rate of 2.6 per cent from 1986 to 1995, the US industry grew by 3.5 per cent last year, as new machinery -ordered while paper prices were high - came on stream,

according to the survey. For the next three years, paper and paperboard capacity is slated to grow at an annual rate of only 1.5 per

But so far companies have attempted to deal with the problem by the temporary measure of increasing "down-time", leaving mills Giobal over-capacity, fuelled by the emergence of new more cost-efficient

inactive for longer periods. suppliers in south-east Asia, helped force last year's dramatic slump in paper prices, which saw some categories of paper fall by as much as

there's been so much consolidation – also in Canada. Something has got to happen in the US, and much of the industry is for sale." He adds that shareholder dissatisfaction is growing, and that the value of paper companies' underlying assets, particularly in tim-

> ing timberlands as investments. The value of timber alone accounts for about 75 per cent of some paper com-

ber, make them look very

cheap, given the new inter-

est from institutions in buy-

He says: "It means you

administrative improved results for the the year was counter-acted Equitable Companies, a by demographic factors, with

However, life insurance and Donaldson, Lufkin & retirement. First quarter after-tax operating profits rose 21 per

cent to \$2.2bn. Its shares fell \$14 in early trading to \$291/4. Sales of investment prod-

financial services conglomer- children born in the postmiums, rose from 106.7 per ate which includes Alliance war "baby boom" now enter-Capital, the fund manager, ing their final decade before New annuity premiums

rose 27 per cent year on year to \$647.3m, while premiums for variable life insurance, an investment product, gained 32 per cent to \$112.4m. Mergers and acquisitions helped Donaldson, Lufkin & Jenrette increase profits by 33 per cent to \$86.4m. Alliance Capital's operating earnings gained 18 per cent to \$53.3m.

Regulated in the UK by SFA

enthusiastic about Java, which was developed by Sun Microsystems. Java enables the development of "cross-platform" software which can run on any type of computer. It is

being widely used to create software for the Internet. Terms of the deal were not disclosed, but Microsoft is believed to be paying less than \$50m for the software

developer, which has 40 Dimension X was the first of many Java start-up companies formed over the past two years to take advantage

of the new language. The acquisition is the latest in a series by Microsoft, which last month acquired WebTV, a company that has developed technology to deliver the Internet to TV sets, for \$425m, mostly in

stock. With a cash hoard of more than \$9bn, Microsoft is becoming increasingly acquisitive. Over the past 31/2 years the company has invested about \$2bn in acquiring smaller companies. Most of these investments have occurred over the past 12 months, Mr Greg and vice-president of corporate development, noted during a presentation to venture

capitalists earlier this week. However, Mr Maffei said Microsoft was cautious about placing too much emphasis on acquisitions. "Integrating technologies is hard. That's why we don't do a lot of acquisitions," he

Competition hits earnings at CNA Financial gains on CNA's investment ums, down from \$2.16bn to cal measure which expresses helped fuel strongly tility in the early months of

\$2.15bn. While CNA is the total

By John Authers in New York

A sharp fall in investment income pushed first quarter profits from CNA Financial, the largest US corporate analysts' expectations.

Earnings, excluding securities transactions, were \$136m, or \$2.18 per share. This was well below expectations of \$2.37, and CNA's shares shed \$1% to \$100% in early trading. Total income was also

down, to \$178m, compared with \$329m in the equivalent

portfolio were responsible. with total revenues dropping from \$4.3bn to \$4.1bn. Mr Dennis Chookaszian,

chief executive, said the results showed the "chaladded: "Loss ratios have deteriorated because of intensifying competition, notably in commercial property casualty insurance."

Property and casualty premiums written were static at \$2.67bn. These figures include a slight fall in CNA's commercial written premi-

largest operator in this marcent of total written premiums at the end of 1995, according to a survey by the tute. The survey showed nies had only 17.1 per cent of while the top 10 had only

strong downward pressure

expenses and claims payket, it still had only 5.6 per ments as a percentage of precent to 110.6 per cent.

growth", and had purchased a majority stake in a large 31.7 per cent. The fragmented market has kept a Argentinian workers' compensation insurer during the • The continuing boom in CNA's underwriting per-

formance weakened and its sales of retirement savings combined ratio, the techni- products and mutual funds

ucts contributed most.

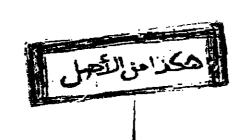
Uncertainty caused by equity markets' heavy vola-

Wherever you venture in the Nordic market, we'll be there for you.

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ALTESDAY MAY 8 1997

Cisco

fears

shrugs off sales

Creating a new ICI for a new century







Charles Miller Smith Chief Executive

ICI has embarked on a major transformation. This week we announced the conditional purchase of the Speciality Chemicals businesses of Unilever which will be a key part of the change. The businesses play to our strengths and will secure our position as a leading science-based manufacturing company into the next century.

We are investing £5 billion in acquiring strong technology-driven businesses with international market positions, which complement our own technologies and capabilities.

Our intention is to build a group where demand is driven more by satisfying customer needs than by business cycles, where success depends on innovation and manufacturing excellence, and where respect for science remains paramount. The businesses are:

- National Starch, a world leader in industrial adhesives and Number 1 in speciality starches
- Quest, one of the world's leading fragrance, food ingredients and flavours companies

- Unichema, a global leader in fatty acids, and
- Crosfield, a major producer of silicates, zeolites and silicas

Today's and tomorrow's manufacturers of foods, personal care items, electronics and many other popular products require suppliers which provide creative ideas underpinned by technology. Their suppliers must operate internationally and be industry leaders.

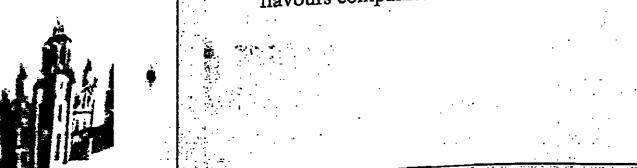
These are the hallmarks of Speciality Chemicals. The management teams which built them will be joining the ICI family, bringing with them the attitudes and cultures that have shaped them. Their skills will combine powerfully with the technology and dedication to innovation and science which have made ICI one of the world's most respected industrial companies.

Much has already been achieved since the demerger of Zeneca in 1993. We have driven forward our productivity and invested in higher growth and less cyclical businesses. We have built significant businesses in coatings, materials, and performance chemicals. We are the world's most international decorative paints manufacturer, and we have global reach in polyurethanes and acrylics which are crucial to the manufacture of products as diverse as baths and signs, fibre optics, CD-ROMs and even lubricating oils.

This acquisition is a bold and decisive step which will accelerate the shift towards customised products that we believe is needed as the next stage of the successful development of ICI. Science and technology are the cornerstones of our businesses but innovation is in our blood and change is endemic in our culture.

We welcome Speciality Chemicals to ICI. We believe they will thrive in their new environment and that we have much to learn from each other.

This is an opportunity which will change the character and direction of ICI, and will generate real benefits for our people, our customers, our shareholders and the community as a whole.





Banco Roberts S.A. ("Banco Roberts")

IMPORTANT NOTICE YOUR DANIEDIATE ACTION IS REQUIRED. IF YOU HAVE ANY DOUBT WITH RESPECT TO THE CONTENTS OF THIS NOTICE, YOU SHOULD CONSULT WITH YOUR ADVISORS

To Securityholders and Couponholders of US\$50,000,000 8.375 per cent. Obligations due 1998 ISIN CODE: XS0047520829

Capitalized terms used but not defined herein have the meanings assigned to them in the Fiscal Agency greement made on December 9, 1993, pursuant to which the above Bearer Securities have been issued. EXCHANGE OF BEARER SECURITYES FOR INTEREST IN A GLOBAL REGISTERED SECURITY

CLOBAL REGISTERED SECURITY

Law 24.587 (the "Law"), published in Argentina in the Official Gasette on November 22, 1995. (Ley de Nominatividad de Titulos Valores Privados), makes it mandatory, as a matter of Argentina public policy, for any bearer security issued by an Argentina private entity (including the Bearer Securities issued pursuant to the Fiscal Agency Agreement) to be converted to a non endorable registered form. The Law also allows book-entry securities (Itulos Escriturales). In furtherance of the Law, the Federal Executive Power has issued Decree No. 259/96 and Bearer No. 547/96 (the "Decrees"), published in the Official Casette on March 20, 1996 and May 23, 1996, respectively. The Law, the Decrees and the related regulations, (the "Regulations"). Under Article 13 of the Decree No. 259/96, heaver debt securities that have been registered with and anthorized by the Argentina Cossision Nacional de Valores ("CNV") under its public offering regulations (such as the Bearer Securities) are deemed to be in compliance with the Regulations if and when represented under global or partial certificates deposited under local or forcign clearing systems approved by the CNV (which include the Caja de Valores SA (the "Caja"), the Argentine clearing systems and Euroclear and Cedel Bank). The Regulations require that all outstanding hearer securities of private Argentina issuers which have been anthorized to be publicly offered by the CNV and have been placed in non Argentine markets (such as the Bearer Securities) be converted or exchanged for non endorsable, registered securities, or partial or global certificates as aforesaid, ON OR BEFORE MAY 22, 1997.

Under the Regulations, after the above deadline and until such time as the exchange is effected, ao rights

Under the Regulations, after the above deadline and until such time as the exchange is effected, no rights can be exercised with respect to any bearer securities (such as the Bearer Securities) including, without limitation, receiving interest or principal payments or effecting any transfer, pledge or other lien with respect thereto. In addition, upon the expiration of the May 22, 1997 deadline, severe adverse economic consequences will result from the violation of the Regulations.

consequences will result from the violation of the Regulations.

Under Argentine law, therefore, as a matter of public policy, the Securityholders of the Bearer Securities funding the right to will be prevented from exercising any rights with respect to such Bearer Securities (including the right to demand that payment be made thereunder), until the exchange is effected in accordance with the Regulations. The Board of Directors of Banco Roberts, under Clause 14 of the Fiscal Agency Agreement, has determined that in order to allow the exercise of their rights by the Securityholders of the Bearer Securities and to avoid the material adverse consequences resulting from non-compliance with the Regulations, it is in the best interest of such Securityholders and Banco Roberts to provide for a procedure to exchange all the outstanding definitive Bearer Securities for interests in a Global Registered Security to be deposited and registered with the common depositery for Euroclear and Cedel Bank or its nominee ON OR BEFORE MAY 22, 1997. Accordingly, Banco Roberts and the Fiscal Agent have agreed to amend the Fiscal Agency Agreement under Section 14 thereof in order to provide for the necessary amendments to such Agreement and the terms of the Securities and subscribe and deliver such other doucmentation as may be necessary or convenient to effect the exchange. ient to effect the exchange.

EXCHANGE INSTRUCTIONS

Except as provided in the following sentence, on May 22, 1997, each definitive Bearer Security which is held through an account holder in Euroclear or Cedel Bank will be converted into and exchanged for an interest of an equal aggregate principal amount in the Global Registered Security to be held by and registered in the name of the common depositary for Euroclear and Cedel Bank or its nomines. Any beneficial owner of a Bearer Security so held through an account holder in Euroclear or Cedel Bank who does not wish such Bearer Security to be so converted and exchanged, should notify such account holder immediately.

Security holders whose definitive Bearer Security or Securities are not presently held through an account holder in Euroclear or Cedel Bank or held by the Caja should deliver be Bearer Security or Securities, together with all unmatured Coupons appertaining thereto, to such an account holder or to the Caja immediately, in order to enable such account holder or the Caja to effect a conversion and exchange of such Bearer Security or Securities for an interest of an equal aggregate principal amount in the Global Registered Security to be held by and registered in the name of the common depositary for Euroclear and Cedel Bank

Under the Regulations, all Bearer Securities held by the Caja on May 22, 1997 shall be desmed, in accordance with Argentine law and without any action on the part of the beneficial owners thereof, to be converted into and exchanged for an interest of an equal aggregate principal amount in the Globel Registered vote. Consequently, persons whose definitive Bearer Securities are currently held by the Caja do not need to ake any action in order for their definitive Bearer Securities to be so converted and exchanged. Questions with regard to the information contained in this notice may be directed to:

Banco Roberts S.A. 25 de Mayo 253

Morgan Guaranty Trust Company of New York London EC4X 0JP

Name: Ricardo Gavina Telephone No: 541-342 0061/9 Facaimile No: 541-331-5999 Name: Matt Tock Telephone No: 44-171-325-4252 Faccimile No: 44-171-325-8285

Banco Roberts reserves the right to cancel the exchange of the Bearer Securities for interest in a Global Registered Security, if prior to the close of business of May 23, 1997, the Regulations are amended or superseded so as to make such exchanges in the manner provided herein, in the opinion of Banco Roberts

REPEAT CALL FOR TENDERS FOR THE SALES OF THE ASSETS OF "IOANNIS K. VELLIDIS, PRESS ORGANISATION OF NORTHERN GREECE S.A."

OF THESSALONIKI, GREECE ETHNIKI KEPHALEOU S.A., Administratum of Assets and Llabidities, of 9a Chrysnospiliotisms Str., Athens 10560, Greece, in its cap Liquidator of "IOANNES K. VELLIDES, PRESS ORGANISATION OF NORTH GREECE S.A.", a company with its registered o Themskeniki, Greece, (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990, by

microiki, Grecce, (the "Company"), presently under specia sion 402/420.12.1996 of the Thespaloraki Court of Appeal

for the sale of the assets as a single whole of the company described below.

BREET INFORMATION ABOUT THE CO

ASSETS OFFERED FOR SALE officed for rale, as a clogic entity, include the following.

A printing unit located at 85, Monastrine Street, in Theatefeath, in perticular, this consists of parts meganitic floor, the whole of the first, third and founts floors, occupying a total area of appro-

proximity macronery and equipment.
Newspaper and periodical totals (registered trademarks) of the morning paper "MACEDONIA" and the evening paper "THESSALONIKI", as well as "EPICAIREN-ECONOMIA STA VALKANIA" (for which legst proceedings are pending), "TELETHITA", "MACEDONIA EPILOGES" and "TA NEOTERA". The Company's registered maps is also being sold.
Agrectional plost in the seas of Conclusion, as follows: 11 cons-fourth (14) of a plot No. 1014, covering approximately 19,019 stars. 2) one half of a plot No. 1016, covering approximately 8,430 stars, and 3) plot No. 1017 covering approximately 10,862 stars, including a building of 2,720 stars, which total to serve as a storebuse.

OFFERING MEMORANDUM - FUETHER INFORMATION

TERMS AND CONDITIONS OF THE AUCTION

The Auction shall rake place on accordance with the provisions of stricle 46s of Law 1892/1990 (as supplemented by article 14 of Law 2000/9 of subsequently amended), the terms and conditions set forth herein and the "Terms and Conditions of Sale" consisted in the Offering Accordandam, Such provisions and other terms and conditions shall apply interpretablely of whether they are mentioned herein or not. Submanion of binding offers shall mean acceptance of such provisions and other errors and conditions.

sould expressly state the officed price and the detailed terms of payment (in cash or instalments, membering the number of systalments, the zerof and the proposed amount interest mat, if any), in the event of not specifying; a) the way of payment, by whether the credited amount or interest and c) the interest and that he appealed amount and that be payable on the dates of payment of each manuar bears interest, this shall be calculated in relation to the outstanding amount and that be payable on the dates of payment of each m. Binding offices submitted later than the above data shall neither to accepted our considered. The offers shall be indoor qualit the tion. Submitted and office in favour of a third party to be nominated at a later stage shall be accepted under the condition that express is made as this respect upon a submission and that the officier shall give a personal governance in favour of such third party for the nee of the obtainment of the form the side contined.

nce of the obligations deriving from the sale contract.

6 Guarantee Bunding offers must be accommend by a Letter of Guarantee issued in accordance with the ample Letter of Guarantee of in the Offering Memorandum, by a bank legally operating in Greece to remain valid until the substitution, Non-submanion of a Letter of Guarantee of the Contract of

with respect to the payment of the offer price, in case of credit, and the maintenance of the proposed number of jobs, submitted shall be assessed on the basis of the "System of Assessment of Offers", included in the Offering Memorandum near principles, while the coefficients by which the criteria are to be weighted shall be subquited to the Public Notary at

shall contain a resolutory condition examing payment of the sale proce.

All costs and expenses of eaty mature, including say tax taxeh as VAT, duries, common dances, any charges in favour of the state or than partie which gary used to be paid (other than those exempted by the applicable level in resource of the manufacture).

he Creditors shall have no limbility for any legal or actual defects or lack of any qualities of the assets, nor of the assets in the Offering Memorandum, Schanistion of hundrig offers shall mean the offeror is fully at

COMPANIES AND FINANCE: FALL-OUT FROM BRE-X

All in the game to Suharto clan

Indonesia's first family shrugs off the debacle, but investors may be less calm

evelations that esti-mates of the size of the Busang gold field were based on falsified data follow a drawn-out and highly political scramble for control of that area of the Indonesian half of Borneo claimed as the world's richest gold deposit. Two children of President Suharto had teamed up with

competing mining and exploration companies to gain a stake in the Busang joint

International mining groups had squabbled over who was best placed to develop such a rich reserve. And in the final arrange-ment – dissolved after the report on the Busang "deposits" by independent auditors Strathcona Mineral Services an investment company linked to President Suharto and his trusted adviser Mr Mohamad "Bob" Hasan had taken control of matters. taking an indirect stake in the project, ostensibly to

But earlier this week, Mr Hasan shrugged off the months of political bickering and the bombshell Strathcona report. "It's all business. Sometimes you make money, sometimes you don't," the 65-year old confidant of the president said. "But then if you don't make any [money], you're still

That is not the case for many North American investors in Bre-X Minerals, the small Calgary-based Canadian exploration company which had claimed Busang's reserves could be as high as 200m ounces. They were the biggest losers in the Busang saga, with billions of dollars wiped off their investments in Bre-X shares. However, for Nusamba -

the presidential investment vehicle, headed by Mr Hasan, which controlled the local joint-venture partners in the Busang project there were no material losses: the foundation had not paid for the 40 per cent equity stake it was poised to Nevertheless, some observ-

Mr Suharto and his family's losses are of a more intangi-



A matter of face: President Suharto (top) may suffer because the way he does business has been exposed on the world stage, while Ida Bagus Sudjana (below) is under pressure to quit

As one Jakarta business first time that a high-profile control over government. consultant, who requested business deal involving pres- Beginning in 1996, President anonymity, says: "We can- idential family members has Suharto was forced to not measure [its] effect only turned sour. The past year revoke a licence that allowed from a mate-

rial angle. It is also about 'Sometimes you make money, The Busang sometimes you don't' 'Bob' Hasan collect levies

manifestation ily's greed."

on bottles of beer sold on ers are pondering whether of the extent of the first fam- has been littered with the tourist resort of Bali, folly's greed." equally embarrassing cases lowing complaints from Jakarta."

Observers are quick to which have had no discerni- international brewers. A few

_a company

youngest son was awarded tax and tariff breaks not available to established investors in the country to manufacture a "national" car, arousing the ire of interprompting the US, the European Union and Japan to drag the issue to the World Trade Organisation. Yet, in what many view as an acute embarrassment, sales of the 'national" car have been

disappointing.
What makes Busang different, however, is that it exposed the first family's way of conducting business on a world stage, prompting concerns that the casualty in the affair will be the attimide of foreign investors towards Indonesia.

Early indications are that Mr Suharto's family has no intention of shying away from future high-profile attempts participate in the mining sector.

Rather, Busang has set a precedent for first family involvement in a sector that had not previously attracted their interest.

Instead, it is foreign exploration companies and officials in the mines and energy department which are likely to bear the brunt of the fall-out, as the ruling powers recoup any respect they may have lost by finding a scapegoat.

Exploration companies are likely to face tighter regulations; one proposal involves requiring that they conduct independent audits for the government before releasing estimates of the size of the deposits they are prospecting, a move that would significantly raise the cost of exploration in Indonesia.

In the meantime, Mr Amien Rais, head of the 20m-strong Muhammdiyah Moslem social organisation, has called on Mr Ida Bagus Sudjana, the mines and energy minister, to resign. "Mr Sudjana must be held

"It is not possible that Bre-X could go around Busang in east Kalimantan without being given the green light by some people in

point out that this is not the ble impact on Mr Suharto's months later. Mr Suharto's Manuela Saragosa

report's out, we think they will come back into the

L'age

Tariba

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3.00

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Busang adds to Australian uncertainty by down

By Nikki Tait in Sydney

Australian gold shares in the wake of the extraordinary Busang debacle in Indonesia. In recent years, as Indonesia has become a more accessible and fashionable exploration target, a number of Australian gold companies have acquired interests

Today, they range from the relatively well-established Aurora Gold, which via an Indonesian subsidiary is the largest primary producer of silver and also a sizeable gold producer, to Laverton Gold, which started mining in Sumatra this year.

Analysts are divided about the impact of the Busang effect." says Mr George tain the bulk of the resource.

affair. "It's going to affect the sector for a long time to ally. come," warns one Sydneybased analyst, pointing to Gold's share price has an effort to claim a stake in price falls suffered by many of these shares since the doubts over the gold deposit discriminate between stocks.

began to circulate. But others think the sell-off has resulted mainly from other bearish factors, such as the relatively low gold price and the imposi-

Signs of investor discrimination? Uncertainty surrounds Golden Valley Mines

tion of a gold royalty tax in it has an interest in the Bus-

Western Australia. "Busang is having a lesser

Marias, at ABN Amro Hoare Govett, of the sector gener-

and suggests investors will Busang affair is Golden Val-

He notes that Aurora

The Australian company most directly affected by the ley Mines, a small Perthbased exploration group. Via an Indonesian partner, peak of A\$1.84.

ang area, but not in the acreage which was said to conappeared to be a winner.

GVM and its partner took legal action against Bre-X in anyone with Indonesian the gold funds may be more regained ground recently, the other properties. Its shares soared.

GVM said this week it was about the Strathcona test tainty, especially with the results. By yesterday, however, its shares had fallen to 38 cents, compared with a

One reason given for a lonlian stocks is the attitude of the influential North Ameri-When Busang still can gold funds, which may now shy away from highly considered. speculative situations - and involvement in particular.

Opinions differ on how "The Bre-X situation has crehe says: "Now that the normality."

Meekatharra has everv reason to hope so. It has

been forced delay a planned Canadian listing of its Indonesian interests, although it now says that this will proceed. Some companies say the

Busang affair could have an upside. Mr Arthur suggests that fresh opportunities could be generated for those groups prepared to stick with Indonesia, as others retrench. He says some new interests have been offered over the past few months Ian Burston, chief executive ger term impact on Austra at Aurora Gold. The company told shareholders yesterday that "appropriate sized" projects were being

And while conceding that cautious for the foreseeable future. Mr Burston says that long this wariness may last. Busang should at least "bring things back to earth seeking more information ated a great deal of uncer- with a bump". Citing the scaring salaries paid as gold funds," admits Mr Neil Indonesia briefly became fla-Arthur, general manager at vour of the month, he says Meekatharra Minerals. But "Maybe we'll see a return to



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F1NANC1ALLY A5TUT3?

Monday, May 12.

FINANCIAL TIMES No FT, no comment.



After yesterday's deal Unilever could spend up to £8bn on acquisitions. FT reporters assess the options for the company, look at the impact on ICI's Australian business and examine how the deal has been funded

On the trail for acquisitions

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HURSDAY MAY EIGH

Unilever is set to spend up to £8bn on a global acquisition spree. Mr Niall Fitzger- been held back by lack of ald, the trish-born co-chairman of the Anglo-Dutch international foods and consumer goods company, has already earmarked the proceeds from the \$8bn (£4.96bn) sale of its speciality chemical businesses to Imperial Chemical Industries and more – for infill pur-

We want to push harder on our businesses in developing markets," Mr Fitzgerald said. "These are now a third of our business, having been 10 per cent 20 years ago. We want that to be 50 per cent in 10 years' time."

It sounds simple, but the percentages conceal the scale of the ambition. Unilever had worldwide sales last year of £33.5bn, including £2.9bn from the chemicals business. Even on today's sales, Mr Fitzgerald's target implies the desire to acquire or grow organically more than 26bn of sales in his target markets.

In doing so, Unilever hopes to build market leading positions in countries where fast-rising incomes provide the opportunity for rapid profits growth.

Unilever is already the world leader in ice-cream, margarine and tea, and a vigorous number two in detergents and fragrances. These, together with personal care products, form

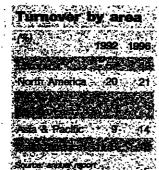
worldwide.

Unilever's growth has never capital. "We don't feel the need to rush out and spend the money tomorrow morning," he said.

"We are reasonable confident about our ability to redeploy it for a significant advantage to shareholders. But if in a year or two we haven't been able to do that we would certainly give it back to shareholders

While the alternative of returning cash to shareholders is likely to provide a useful intellectual discipline, analysts believe there is little prospect that it will

They calculate that once borrowings are repaid, Unilever will have net cash of about £3bn to spend. But, according to Mr Michael Bourke of Panmure Gordon, Unilever would probably be willing to borrow a further £5bn, lifting gearing to 50 per cent, if the need arises.



alike have already begun Mr Fitzgerald insists that trying to spot possible tar-nilever's growth has never gets. Reckitt & Colman, the UK branded goods group, and CPC Group, the US man-Mayonnaise and Knorr soup.

were among those men-tioned yesterday. But to gain the growth in developing markets it seeks, Unilever needs far more focused acquisitions. Mr Fitzgerald indicated he was willing to form alliances, partnerships and joint

ventures to achieve his goal. "We have made some fairly substantial acquisitions," he said. "But it may be that these (developing economy acquisitions] are more medium-sized businesses.' Unilever's declared five

priority growth regions are China, India, south-east Asia, southern Latin America and central and eastern Mr Fitzgerald, who became

co-chairman last year alongside Mr Morris Tabaksblatt, chairman of the Dutch arm, has signalled that he would particularly like to expand his food products and personal care products in these Mergers and acquisitions

specialists are sure to bring Mr Fitzgerald and his team a wealth of possible acquisitions. "I am sure he will have a huge queue at his door," said one adviser. But sorting the sound prospects from the chaff is



COMPANIES AND FINANCE: THE ICI DEAL WITH UNILEVER

Plastic floats: the Alkatuff polyethylene plant in New South Wales - ICI plans to sell its

Paints may be gained in swap for explosives

By Nikki Tait in Sydney and Jenny Luesby

ICI is likely to agree an asset business that will see it withdraw from its explosives business, at the same time as selling its 62.4 per cent holding in ICI Australia.

gain ICI Australia's paints global explosives interests. Mr Charles Miller Smith, chief executive, said yesterday that negotiations, which amounted to a "tidying up around the deal" were still under wav.

The announcement came after the Australian stock market had closed, but ICI Australia shares were trading at about A\$12.44, valuing ICI's stake at A\$2.3bn (£1.1bn) and ICI Australia overall at about A\$3.7bn. The group ranks as one of Australia's top two dozen listed companies by market capitalisation.

ICI Australia said it would assist with the process, and was "not sure" whether the ICI name would ultimately be retained.

The Australian group, in

run fairly independently in recent years. It has a diverse range of interests, from plastics and chemicals to exploswap with its Australian sives, mining services, and consumer products - including a big paint business. It also owns 72 per cent of incitec, one of Australia's largest suppliers of phosphatic The group is expected to and nitrogenous fertilisers. There has been speculation business in return for its that ICI Australia might attempt to acquire the out-

> standing equity in Incitec. trated in Australia, but it has established operations in Asia, acquiring a plastic film extrusion business in Malaysia last year. Mr Warren said last week that he hoped to announce more overseas deals in the next couple of months.

> He also announced an after-tax profit of A\$110.7m for the six months to March 31, on sales of A\$1.69bn. This represented a 7 per cent increase over the same period a year earlier, before exceptionals. The company said it was "positive that the improvement achieved in the first half will continue".

Bonds to refinance \$8bn bank loan

By Clay Harris

Imperial Chemical Industries has borrowed \$8bn (£4.9bn) from three leading banks to finance its ambitious purchase of Unilever's speciality

With a goodwill write-off cut shareholders' funds to only £500m, ICTs net debt of £5.6bn leaves it with pro forma gearing of more than 1,000 per cent, a figure that would normally make the

the gearing was "unrepresentative" won a vote of confidence from the equity market, where its shares jumped by 43p to 757%p, and from leading credit rating agencies. Standard and Poor's and Moody's both trimmed of up to £3.5bn which could ICI's rating only from A to A-, where it is still higher

> The sanguine response reflected ICI's clear strategy for reducing and refinancing the debt and its action to

than most other world chem-

sure in the meantime. The key is a disposal pro-

gramme to raise at least £3bn over three years, a timetable the company regards as conservative. It will kick off with the sale by the autumn of a 63 per cent stake in ICI Australia, worth £1.1bn at yesterday's prices. Flotation or trade sale of Tioxide, the paint pigments maker, could bring £500m to £700m by early 1998, with polyester activities likely to fetch from £750m to £1bn

But ICI's contention that hedge its interest rate expo-through sale or joint venture 7.35 per cent, one of the largwithin 12 months. In the meantime, ICI will

begin to refinance the fully underwritten five-year \$8bn bank loan, split equally between Goldman Sachs, HSBC and Swiss Bank Corporation, through international bond markets. This is why retaining a rating of at least A- was crucial.

ICI's interest rate exposure on its entire debt of \$9.5bn, denominated in dollars. D-Marks and sterling, is fully hedged to keep it below

est deals ever put together in the capital markets.

This has been achieved through a mix of swaps and options which ICI's advisers believe gives it unusual flexcircumstances. It would not, for example, end up paying a penalty if the disposal programme went - and debt could be reduced - more quickly than expected. It also allows leeway for the effect of a downturn in ICTs

COMPANIES AND FINANCE: UK

sharply down after charges

By Maggie Urry

Tate & Lyle, the sugar and sweeteners group, yesterday reported sharply lower interim profits, prompting the market to downgrade profit forecasts for the year to September 30.

Although investors were warned at the annual meet- said the group had always ing in January that the strength of sterling would affect profits, analysts were surprised by a £83.2m risks attached (\$134.8m) exceptional charge and a £10.9m loss on sugar trading in Russia.

Full-year forecasts were £250m pre-tax to £233m-£245m Profits for the year to September 1996 were £276m. In the six months to

£30.4m after the exceptionals. The group said sterling's rise had knocked £17.3m from the pre-tax result. Mr Larry Pillard, who

became chief executive last November, said he had "initiated a critical review of the group" which had led to the exceptional costs. The "cash will be rapidly repaid." He or 25 per cent.

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RESULTS

ways of saving costs in North America, by bringing together the five separate operating companies.

In emerging markets, Tate wrote down its investments in Ukraine, China and Bulgaria by £34.9m. Mr Simon Gifford, finance director. regarded its investment in newer markets as offering high rewards, but with high

Aside from a strong performance in its North American sugar operations, most of the trading news was bad. reduced from more than Overcapacity in starch £250m pre-tax to £233m- squeezed margins in North America and Europe, Australian cane sugar profits were "substantially down". March 29, pre-tax profits fell while European animal feeds from \$168.2m to \$113.6m, or profits were hit by lower while European animal feeds

molasses prices. The group's interim divi-dend will be a "foreign income dividend" since its UK earnings are insufficient to offset advance corporation tax on a normal dividend.

The underlying dividend is unchanged at 5.3p, but shareholders will receive a cost of these programmes "FID enhancement" of 1.325p

(55□) 29.7 (124.6) 17.9♥ (2.97) 15.7♥

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Tate & Lyle Supermarket group claims recent sales growth contrasts with a fall in rivals' performance

Sainsbury tumbles but sees upturn

icals companies.

By Peggy Hollinger

J. Sainsbury, the food retailer which has ceded market leadership to rival Tesco over the last 18 months, yesterday claimed it had turned the tide.

"Our competitors' sales are coming down while ours are going up," said Mr David Sainsbury, chairman. Reporting a 15 per cent

drop in annual pre-tax profits to £651m (\$1.05bn) before

with a decline in the same "Clearly the momentum is

other food retailers such as as evidence of a full-blown Tesco had reported a slow-turnround. "They are still Tesco had reported a slowdown in comparable sales growth in the first weeks of the vear.

The market welcomed the

exceptional charges, Mr more optimistic comments increased market share from casts of about £648m. The Sainsbury said underlying from Sainsbury, which in food sales were rising in the January stunned investors still dominated the sector before exceptionals was due first two months of the with a profits warning. At financial year, compared the time, the company had been unable to offer any tangible signs of recovery.

Analysts cautioned against underperforming Tesco," said Mr Frank Davidson of HSBC James Capel. Although Sainsbury had

with a 15 per cent share. Mr Dino Adriano, chief executive, pledged that mar-

gins in the supermarket divi-

sion - which fell from 7.3 to there," he said. In contrast, interpreting the sales trend 6.2 per cent - would remain stable this year, before oneoff costs. He also announced plans for cost savings over the next three years of £60m. The results were margin-

ally ahead of pre-tax fore-

to a £38m hit from a petrol price war and costs of a loyalty programme. Profits were also depressed

by significant losses in recently acquired US stores. Profits from the Shaw's chain fell by 15 per cent to \$65.2m. Excluding the new lossmaking stores in Connecticut, operating profits rose 10 per cent.

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Protests top Rio Tinto agenda

By Leyla Boutton in London and Nikki Tait in Sydney

Environmental protestors yesterday dominated the annual meeting of RTZ-CRA as the world's largest mining group changed its name to Rio Tinto and pledged to embrace environmentally sustainable development.

After braving demonstra-

July 11

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tors outside shouting "Rio Tinto stinks," Mr Robert Wilson, executive chairman, told shareholders the company aimed "to minimise adverse [environmental] consequences by a consistent application of best practice". But he warned that sustainable development, reconciling environment and

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ner which allowed for continued mining to meet human needs.

The environment's already large role in the company's operations is underlined by its accrual as of December 1996 of \$484m in provisions to meet a total projected \$1.5hn liability for environmental obligations, most earmarked for restoring sites

after mines close. The vast majority of questions put to Mr Wilson at the meeting concerned the company's involvement in the Grasberg copper mine in West Papua, Indonesia, the company's application for exploration licences on the

12.3

6.6

Total lest

Madagascar.

Earlier, the company in northern Queensland, which will be the world's social and environmental largest zinc mine.

RTZ-CRA had already agreed to sell Century to zinc producer, for A\$345m. but the deal was subject to resolved.

have become something of a fixture at the company's

growth, had to be imple- Philippines island of Min- annual meetings. But the mented in a "sensible" man- danao, and a development company has increasingly under consideration in sought to sharpen its envi-

ronmental performance. It plans to publish its first announced it had settled a stand-alone environmental long-running row over report this year and Mr Wilaboriginal land rights claims son said the company was open to suggestions on how paving the way for the it could operate in a A\$1bn Century Zinc project, manner "more sensitive" to

concerns.

The Prudential, Britain's largest life assurance com-Pasminco, the Australian pany which has come under pressure from environmentalists for its shareholding. the native title claims being said it "welcomed the preparedness of the company to Environmental protests talk about these issues".

Commodities, Page 24

Peter Sutherland to be BP chairman

By Stefan Wagstyl

Mr Peter Sutherland, deputy chairman of British Petro- become minister for trade leum, is to succeed Sir David and competitiveness in Simon as non-executive Europe with a seat in the chairman, following Sir House of Lords, where he David's appointment as a will be the spokesman for minister in Mr Tony Blair's the Treasury. government

appointed on an interim ships and his place on the basis to give the board time to select a long-term succes- England. sor to Sir David.

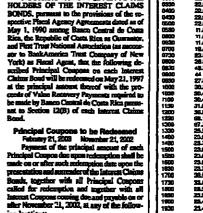
first director general of its industry secretary.

successor, the World Trade Organisation.

Sir David is leaving to

Sir David is giving up all Mr Sutherland is being his non-executive director-Court of the Bank of

Mr Blair hopes that Sir Mr Sutherland is also David's appointment will chairman of Goldman Sachs help strengthen links with International, the London- business. It could also add based subsidiary of Goldman commercial experience to Sachs, the US investment the new ministers at the bank. A former EU Commis- department of trade and sioner, he was director gen- industry, led by Mrs Mareral of Gatt and became the garet Beckett, the trade and



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in New York and Same Iskandar in London

The last leg of the US Treasury's quarterly refinancing, combined with data indicating higher than expected labour costs, hit US

bond prices yesterday. At mid-session the benchmark 30-year bond was 1/2 lower at 96%, its yield pushing up to 6.926 per cent.

A \$12bn auction of 10-year notes is understood to have inspired vesterday's bearishness. Tuesday's auction of three-year notes had suffered from lacklustre interest and the yield on the new issue note rose to 6.931 per cent.

was expected by some tradcent late Tuesday.

Unit labour costs rose to 2.7 per cent in the first quarter, higher than earlier Treasury assumptions, as productivity increases came in lower budget deficit would below expectations.

Mr John Spinello, governgoing to be concern in the bond market".

across the maturity curve, with the two-year note's tral banks. yield rising to 6.323 per cent

However, Mr Bruce Stein- ing by 4 basis points to ers to edge up to about berg chief economist at Mer- 165 points. In London the 6.73 per cent, from 6.67 per rill Lynch, said the outlook was bullish over the longer term. While it was "difficult to get much going on in bonds during an auction",

ger term. ment securities strategist at
Merrill Lynch, said: "With
productivity down and where most markets ended wages up, there's always flat or slightly lower. Italian and Spanish bonds, however. outperformed German bunds Prices were squeezed on hopes of imminent rate cuts by their respective cen-

help lift prices over the lon-

Italian BTPs closed while that of the 10-year higher, their 10-year yield spread over bunds narrow-

June BTP future settled at 129.23, up 0.40.

Forecasts by Confindustria, the Italian employers' federation, that economic growth would be minimal or flat for the first quarter and that consumer price inflation could slow to an annual rate of 1.5 per cent, fuelled traders' expectations that the Bank of Italy might

resume its easing cycle.
"Now that inflation has fallen to 1.7 per cent, the Bank of Italy is much closer to sanctioning an easing in monetary conditions," said Mr David Brown, chief European economist at Bear

New international bond issues

Stearns in London.

formed bunds, but closed almost unchanged. In Barcelona the June future on 10-year bonos closed near the day's highs at 114.59, up 0.02, while in the cash market the 10-year yield spread over bunds tightened by

2 basis points to 94 points. Analysts said a rate cut by the Bank of Spain was very likely next week if data due on May 14 showed subdued inflationary pressures.

UK gilt traders used the

excuse of a weaker US market to take profits. The June long gilt future lost % to close at 1134. Analysts said a correction

was inevitable after Tuesday's record gains - the 101.76, down 0.10.

Spanish bonos also outper- sharpest rise in more than five years. "Following the powerful rally, the sector is now vulnerable to near-term profit taking," said Mr Brown, at Bear Stearns. Market sentiment today will be driven by the Confederation of British Industry's distrib-

utive trades survey. French and German bonds ended mostly flat as traders unwound positions ahead of the extended Ascension Day

eekend, starting today. In Paris, the June notional future gained 0.04 at 129.53. while in the cash market the 10-year benchmark OAT was 0.05 lower at 98.60.

In London, the June future on German bunds closed at

Treasury weakness spills into Europe Complex Ioan for Chinese metals group

By Edward Luce

Crédit Lyonnais has arranged a \$180m 10-year loan to China's state metals company - the longest-term syndicated loan extended to a Chinese corporate

The facility has been locked in at the current Libor (London interbank offer rate) of 6.75 per cent. plus 175 basis points for years one to three, rising to 200 points for the next three years and then 225 points up to year 10. The loan was described by syndicate officials as one of the most complex structures of its kind.

Sino Mining Alumina, a wholly-owned offshore subsidiary of China National Nonferrous Metals Corp the state metals company will use the money to help fund purchases of alumina, the material used to produce aluminium.

The deal, which has been underwritten by a syndicate of 12 banks led by Credit rity. From Alcoa's point of Lyonnais, follows a landmark agreement earlier this year between CNNC and Alcoa the US company years. which is the world's largest supplier of alumina.

Under the agreement, Alcoa will supply 400,000 tonnes of alumina a year to China for 30 years. The alumina will be converted into aluminium for the Chinese market. The loan will help service payments to Alcoa.

"The deal is innovative in number of ways." said Mr Chris Mason, managing director of Crédit Lyonnais Rouse Derivatives. "As a sions to increase the alucondition of the loan, we mina supply to lux tonnes a

for the next five years. We have also hedged interest rates for the duration of the loan."

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The hedging requirement is unusual in a climate in which it is often the borrower who dictates the terms. Syndicate officials said the measure was essential in a market where prices are so volatile. The cost of alumina, which closely tracks the aluminium spot market, has fluctuated from \$120 a tonne to \$340 a tonne

in the last three years. Chinese government approval of the loan was expedited by the fact that Sino Mining is an offshore entity, incorporated in the Cayman Islands. One official said it was less bureaucratic to lend to an offshore subsidiary than directly to a state company in China

The deal provides both CNNC - China's sole buyer of alumina - and Alcoa with long-term contractual secuview, CNNC has guaranteed to buy a large proportion of its output for the next 30

Alcoa, in turn, has guaranteed to cap the volatility of alumina prices, ensuring the cost for CNNC will fluctuate less wildly than if it had gone to the spot market.

"The contract is large enough to take a significant amount of volatility out of the spot market," one analyst said. "China is one of the world's largest buyers." The contract, named Proj ect Snow, includes provi-

required Sino Mining to take year - about 70 per cent of out a nominal hedge of China's annual shortfall.

2000 PATES

Strong demand for five-year dollar deals

INTERNATIONAL BONDS By Edward Luce

The eurobond market continued to take advantage of the narrow window between last week's public holidays and next week's US data releases with a flood of medium-sized dollar issues.

Officials at Goldman Sachs, joint lead with CSFB floating rate notes. Lead of the benchmark dollar issue from German bank LGK, attributed the strong demand for five-year dollar deals to the flat Treasury

yield curve. They said the maturity suited LGK's target investor base, including European retail investors and Asian central banks. The \$500m deal, which was priced to yield 13 basis points over the five-year Treasury, was trading at its re-offer price on the secondary market after

WORLD BOND PRICES

BEN

Australia Austria Belgium Canada Denmai France

German Landesbank owned good opportunity".

Associates, one of the larg- Libor plus 10 basis points for est independent US finance companies, also spotted a good benchmark opening, issuing \$500m of five-year managed by J.P. Morgan and Morgan Stanley, the deal was offered at 10 basis points over three-month Libor (London interbank offered rate). The notes will be listed in

Asia and Europe. Officials said that Associates had been encouraged by the response to its debut \$600m fixed-rate euro-dollar deal last September, which has narrowed to just 34 basis points over five-year Trea-

One official said LGK - a the curve, and two-year to three-year deals just don't by Stuttgart and Baden- have the coupon levels to Württemberg – had been attract retail investors," said "keen to issue a benchmark one official. "The Associates for some time and this was a bond was popular with retail investors: it's rare to see

> Morgan Guaranty also tapped the five-year maturity with a \$500m offering priced to yield 18 basis points over Treasuries. Officials at J.P Morgan, sole lead manager, said it was trading at the re-offer price after launch. "Morgan Guaranty normally does two-year or three-year deals but it wanted to capture the larger institutional investors this

an Aa3 rated issuer."

Sitcars Funding, a special purpose vehicle set up by Sitca, the Thai finance house, launched Thailand's first asset-backed bond since "There's very little the banking crisis earlier demand at the 10-year end of this year. The \$83m deal, col-

time," said an official.

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Morgan Guaranty Tst Co NY	500	6.75	99.616R	May 2002	0,25R	+18(8%Apr02)	JP Morgen Securities
Assocs Corp of N America:	500	(b)	99.837R	May 2002	0,20R		JP Morgan/M Stanley
Unibenk(c)‡	200	(C1)					JP Morgan Securities
Hitachi Finance	150	6.625			0.1875R	+12(8%Mey00)	Goldman Sachs/IBJ Inti
Byblos Bank	100	8.75#					ABN Amro/Merriti
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LW Rentenbank®	250	4.25	99.53R	Jun 2001	0.225R	+5(5%May(1)	ING Barinos
	40.00	23.22.23	3374767				
T-Outi(l.s)+	25bn	5.20#	100.00	Feb 2000	1,615		Dalwa Europe
E STERLING	7. T. S	·	"A Table	A 100 M	Service (7.00	
Parcs, Series 1(g)t	128.9	(12)	100.00	Apr 2004	0.15	•	Citibank International
# ITALIAN LINE	12.7		A	200917	300	ar series	P. P. P. S. S. S. S. S. W. S.
			2.6	A CHEST LE			A. Charles And Control of the State of the S
Permalat Finance‡	650bn	(1)	100.00R	Jun 2001		-	Credito Italiano
Republic of Argentina;	500bn	.O.	99.9QR			-	Deutsche Morgen Grenfell
World Bankfidt	175bn	(k1)	100.00R	Jun 2007	0,35R	-	Caripio
W NEW ZERLAND DOLLARS	9: XXV	3.5		1	30	A STATE OF THE	
Kingdom of Sweden	100	7.75	101.22	Jun 2002	2.00	_	Hambros Bank
	2.23	4.9				20 C C C C C C C C C C C C C C C C C C C	12.5
	30 (LL)						
World Bank(m)	200	15.25	100.75	Jun 1998	1,00	.	Hambros Bank
Final terms, non-callable unless	stated.	field som	ad lover n	elevant ocve	mment t	cond) at launch	supplied by lead manager
#Unlisted. ‡ Floating-rate note.	#Semiler	nual cou	pon R: fb:	ed re-offer o	rice: fee	shown at re-c	fier level, at Universal Card
Master Trust I and metallic to	OLAMA O	1) Dringel	Inter 2 au	- I B0	Obe est	Class D. 800-	1711100 2 mile

Wolfasted. 2: Hosting-rain rote. 45-shi-manual coupon, it into the other price; tests shown at re-draw level. by Limitaria. All Priced later: 3-mith Libor +8-5bp. 20 Class B: \$30m, 17/4/22 expected, 3-mith Libor +28-29bp. b) 3-mith Libor +5/5bp. c) Callable from May 0.4 at par. c1) 3-mith Libor +40bp to May 0.4, then +190bp. d) Callable & puttable on 23/5/02 at par. e) Indirectly secured by That belt loan/lease receivables. Average life: 1.5 yrs. e1) 3-mith Libor +18bp. f) Redeemed in USS. g) Backed by commercial mortgless. Expected maturity: 4.83 yrs. Average life: 3.58 yrs. g1) 3-mith Libor +24bp. g2) Series 2: 53.7m, 3-mith Libor +40bp, par, av life 4.83 yrs. h) 3-mith Libor +37/5bp. g) 3-mith Libor +18bbp. h) Callable from Jun 00 at par. k1) 12-mith Libor +20bp, max 8%%. f) Long 1st coupon. m) R200m launched on Tuesday was increased to R400m. s) Short 1st coupon.

written by ING Barings.

demonstration of how securi- pean institutions.

lateralised by Thai motor tisation can work in a diffivehicle loans, was under- cult corporate environment," said an official. The average "The response to the Sit- duration is 1.5 years. It was cars offering is a powerful mostly pre-placed with Euro-

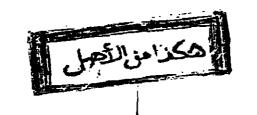
Argentina issued its first lira-denominated floater. Led by Deutsche Morgan Grenfell, the L500bn deal was priced to yield 160 basis points over Libor.

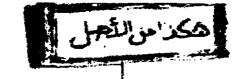
NCHMAR	K GOV	ERNI	MENT I	BOND	5			E BUN	FUTURE	S OPTIO	NS (LIFF	E) DM250	strikog 000,	of 100%		FTSE Actua	ries G	ovt S	ecurit	ies									UK I	ndice
	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago	Strike Price	Jun	C	ALLS -	Sep	Jun .	— PUTS ·	_	Price Indices UK Gifts	Wed May 7	Day's change %	Tue	Accrued interest	xd adj. ytd							yield - ⊶ l ⁄r. ago Ma		
ratile. ria	6.750 5.750	11/06	93.0354 99.8900		7.80 5.76	7.85 5.82	8.04 5.82	10150 10200	0.54 0.27	0.40 0.25	0.62 0.45	0.78 0.58		.15 1.37 .50 1.70		1 Up to 5 years (19) 2 5-15 years (21)	120.39 153.86	-0.10 -0.17	120.52 153.92	2.33 3.49	4.14	5 yrs 15 yrs	6.99 7.16	6.93 7.17	7.65 8.40	7.08 7.18	6.99	7.69 7.	10 7.0 23 7.1	3 7.81
um ide " nark	6.250 7.000	03/07 12/06	102.7400 102.9700 110.4500	-0.630	5.87 6.58	5.94 6.65	6.01 6.65	10250 Est. vol. 1	0.12 otal, Cells 11	0.15 1818 Puts	0,31 14307. Pr	0.42 avious day	0.86 1. sopenint, (.90 2.06 Salla 201902	-	3 Over 15 years (6) 4 Irredeemables (5)	179.56 208.58	-0.14 0.63	179.81 207.29	5.63 4,94	3.16 2.37	20 yrs	7.21 7.38	7.24 7.38	8.47 8.51				23 7.1	
DE ETAN OAT	8.000 4.750 5.500	03/06 03/02 04/07	100.1224 98.6000	-0.050	6.41 4.72 5.69	5.75	6.69 4.84 5.77	Italy								5 All stocks (51)	147.54	-0.14	147.74	3.45	3.60			Hatio n				riion 10%		
neny Bund nd	6.000 8.000 6.750	01/07 08/06 02/07	101.8800 108.7600 96.3000	-0.200	5.74 6.89 7.29†	6.73	5.90 6.90 . 7.73		ONAL ITAL	Im 100th	s of 100	%				6 Up to 5 years (2)	204.67	-0.16	205.00	0.59	3.03	Up to 5 y	rs 3.2	3.2			2.67	May 6. Y	1.31	
n No 145 No 182	5.500 3.000	03/02 09/05	117.0947 103.9996	+0.044 -0.040	1.70 2.43	1.60 2.35	1.47 2.28	Jun Seo	Open 128.75 129.57	129.25 129.50		0 129	35 128.6	1 60235	ol Open Int. 5 109965 6575	7 Over 5 years (10) 8 All stocks (12)	197.95 197.59	-0.52 -0.48	198.97 198.54	1.52 1,41	2.32 2.37	Over 5 yrs		-			3.35		3.60	•
erlands agai	5.750 9.500 7.350	02/07 02/06 03/07	100.7200 118.8000 104.4000	_	5.65 6.60 8.71		5.76 7.00 7.10	E ITALIA		ND (BTP)	FUTURES		(UFFE) Line20	Om 100ths a	_	Average gross redemption			Coupon Ban	OSC LIDWC 076-1	74%; Me					•	El Tear 10	CORROR.		
ien Hits	8.000 7.000	06/07 06/02	106.2796 100-01	+0.222 -9/32	7.11 6.99	7.31 7.14	7,37 7.32	Ştrike Price		Jan _		Sep	Jun	PUTS ·	Sep	FT Fixed Interes			ay 1 Apr 3	0 Yrago H	igh Lo		lt Edge	d Açti	-		Mary 2	May 1	Apr 30	Apr 29
reasury *	7.250 9.000 6.250	12/07 10/08 02/07	101-00 114-01 96-24	-6/32 -5/32 -9/32	7.11 7.18 6.71	7.54	7.59 7.66 6.80	12900 12950 13000	Č	1.66 1.60 1.39	2	.38 .12 .86	0.63 0.87 1.16		1.88 2.12 2.36	Fixed interest 119		117.31 117	7.21 117.03	91.57 9 111.48 12	0.18 115	,32 5-da	Edged b	je	i	NA NA	NA NA	NA NA	NA NA	NA NA
French Govt)	6.625 7.000	02/27 04/06	96-07	-13/32	6.93 6.02	6.98	7.00 6.23	Est. vol. 1	atal, Calls 56	000 Puts 5		ous day's o		la 112721 Pu		O FTSE International Ltd high since compliation: 133 Glit Edged volume date	1997. All righ 3.87 (21/01/9- will be unav	ds reserved. ° 4), low 50.53 (Mable until t	tor 1997, G 03/01/75), Se te end of N	overnment Sec sis 100: Gover lay.	curities his mment Se	gh since com curities 15/10	plation: 12 V26 and Fbo	7.40 (DS/0 ed Interesi	11/359, low t 1928. SE	49,18 (US activity in	/01/75). Fo fices rebes	ed interest ed 1974.	•	
on closing, "New se (including wit :: US, UK in 32nd	thoiding tax	# 125 p	er caut dak		e welderde	i market 8) MMS into		Spain NOTE	i Onal spai	NISH BO	ND FUT	URES (ME	J TF)							•										
. 00, 011 21 024	a, oo aa ar				-	~~~		Jun	Open 114,40	Sett pri	ce Char	-	•		L Open int.	FT/ISMA INTE	DNATI	NAL BO	OND SE	DVICE										
INTERES	T RAT	res						Sep UK	-	113.80		-	-	1,208	1,117	Listed are the latest interne	abonal bonds	for which the	re is an adeo		ry market	Lakest price	oo at 7:10 p	m on Ma	y 7					A
			Treasury	Balls and	Bond Yle	 kds		E NOTE	ONAL UK (SILT FUT	TURES (L	JFFE)* £50	0,000 32nds	of 100%			Issued	elid Offer C	bg Yield				Bid Off	<u> </u>				Issued		er Chg Yiel
rate		në mortë . Kimon ev			0 year	<u> </u>	- 6.32 6.47		Open	Sett pri	ce Chan	ge Hig	jh Low	Est. vo	Open int.	U.S. DOLLAR STRAIGHTS		wi. 072	l- 700 k	Spain 7 ¹ 4 03 _	5- 7M	4000	110% 110	¹ 2 –18	5.14 Abb	ey Neti Tra	esury 8 03 !	1000	1024 102	25 - 4 7

US Treasu	ary •	9.000 6.250	10/08 02/07	114-01 96-24	-5/32 -8/32		7.54 6.73	7.68 6.80	12950 13000		1.60 1.39	2.1:		0.87 1.16		2
ECU (Frenc	- CM	6.625 7.000	02/27 04/06	96-07 106,5900	-13/32 -0.020		6.96 6.DB	7.00 6.23	Est. vol. 1	otal, Calls 58	006 Puts	5976. Previou	s cizy's oper	n int., Calla	112721	Pubs
		r.uuu fork mid-de		100.5900		da: Local r			Carl							
				er cent pays					Shean	-				_		
Prices: US,	UK in 32nd	s, others in c	lecime/			Source: M	MS Inti	ernetione	NOD			OND FUTUI		•		_
									_	Open		ice Change	_	LOW	Est. 1	
									Jun	114,40	114.5		114.87	114.33	75,2	
	TEDEC	T RAT	Ee						Sep UK	-	113.8	ay -	-	-	1,20	25
	FRES	HAI	E3					<u>·</u>		ONAL INC	2H T 🗆 F	TURES (LIF	EE- 250 (Y	10 32ade d	r sone	
Latest		0-	: month	Treasury	BEHS and E	iond Yield year	S .	6.32								
Prime rate		Ale Tw	Almon c		- Thr	N 796		B.47	_	Open 113-08	360 pr	ice Change 9 -0-04	: High 113-18	Low 113-01	Est. 1043	
Broker logs Fed funds	····		es monific. monific		5.24 FMs 5.59 10-1	Y887		- 6.58 6.70		113-14	113-1		113-17	113-08	196	
Fed.funde et	Intervention	· On	year			year		6,92				PTIONS (LI				
									Strike		(ALLS			PUTS	-
									Price	Jun	Jul		Sep Ja	un Jul		wg
									113	0-54	1-33	1-58 2	-16 0-3	36 1-03	3 1-	28
									114	0-24	1-01		-48 1-0			
BOND	FIMU	RES A	ND O	PTION	S				115	0-10	0-43		1-22 1-5			35
					_				EST AOT B	028, CBES 63	U4 11,003 1	8123, Previou	1 cazy 13 open	INT., Care	BSSIDD P	uis 2
France	=			DEG 844					Ecu							
MOIK	MAL PHE	NCH BON	HOIGH	RES (MATI	r) rriguo,	000				BOND FLIT	ures a	MATTF) ECU	100.000			
_	Open	Sett price		_	Ļow			pen int.		Open	Sett pn			Low	Est. v	_
Jun Con	129.52 128.00	129.52 127.98	+0.04					52,669 10.590	Jun	95.08	95.18	_	95.20	96.04	22	
Sep Dec	97.54	97.40	-0.08		97.54		3 1	U.38U	Sep	83.US	94.80		50.20	3 3.04	-	
				TIONS (MA		-	•									
Strike		CAI	<u> 18</u>			- PUTS	<u> </u>		us							
Price	ىڭ			Sep	Jun	Jul	•	Sep	∎ US TE	REASURY :	BOND F	UTURES (C	BT) \$100.0	00 32nds r	of 1009	4
127	2.5			1.95	0.07	0.59		1.02			Lates					_
128	1.6			1.34	0.19	0.94		1.40	Jun	Open 110-02	109-2		110–03	Low	Est. v 299.2	
129 130	0.8 0.3		-	0.87 0.53	0.39 0.82	1,51	1	1.92	Seo	109-14	109-2		109-16	109-24 109-12	14.34	
131	0.0			0.29	1.59			-	Dec	109-03	109-0		108-03	109-03	780	
			-	us day's oper		09,804 Pub	s 152,30	Œ.	- 1							
				•					Japar							
Germa	M							,	-		a Terra	1 JAPANES	= 00WT	DOND SI	Ti mee	
		MAN BUN	O FUTU	RIES (LIFF)	7" DM250	.000 100+	the of	10096		Y100m 1			L dorn .	DOING FU	I UNES	
	Open	Sett price			Low			en int.		Open	Close	Change	High	Low	Est. v	
Jun .	101.80	101.76	-0.10	_	101.67	10207	-	67146	Jun	124,46		_	124.65	124.36	470	5
Sep	100.78	100.75	-0.10		100.70			4157	Sep	123.17			123.28	123.08	281	-
-									· UFFE to	tures abso tra	ided on A	PT. All Open	interest figs	. are for pare	wious da	Ŋ.
HIK C	OTS F	RICES											السيون			
											•					
		Yeld _			week _				Yest		waek			_ Yield _	_	
	Notes	Int Red	Price E -	+ cz - 18gb	LOW		licin		Red Palca €	+or- High	<u> </u>		Notee ((1) (2) Pric	ϣ +0	<u>'-</u>
iberts" (Live Ireae Criv 7pc	s up to Flor Yo	6.98 6.24	1002	10- 5	1	a 73 ₄ 0c 2006		. 7,45	7.14 1044	-d 1074		der Liebed	(8)			
Trees Civ /pc Trees 8 Lpc 1:		8.68 6.2		107名 107名	10013	8 Bpc 2002-	•••	. 7.76	7.23 1034	- <u>4</u> 1042		45pc 96# 212pc 101		.66 3.27 1	114년 187 <u>간</u>	3
ach 15pt 198	7	14.43 6.3	10333	-쇼 1143	10253 7100	s 11-kpc 200		. 9.09 	7.13 1212	-5 134 <u>3</u>		2½00 TO	(78.6) 2	94 3.39 1	1821	⊣š
Secti 94, pc 19 Frees 74, pc 19		9.54 6.44 7.20 6.51		108}} 108}3		s 8½pc 2007		. 7.75	7.14 1094	- <u>3</u> 110 <u>H</u>	_	4 20c 104# 20c 106		.00 140 1 .15 1.45 1	1167 <u>4</u> 1937	卡尔特特尔尔
rees 151 ₂ pc		120 6.50 13.91 6.60		- 1005 - 1226	1411	a 7 1/4pc 20 a 9oc 2908 d		. 7,17 . 7,89	7.19 1012 7.16 1144	~는 102님 ~는 114년	963 <u>a</u> 10343	21 ₂ pc 109	(78 5 3	24 3.48 1	173	-11
ech 12pc 198	B	11 15 6.77		-3 1144	1073	= 9pc 2000 ‡ s 8pc 2009_	+	. 1.00 . 7.51	7.10 1144g 7.19 106H	- <u>3.</u> 114}} -2. 106‡		21 ₂₉₀ 11 21 ₂₉₀ 13			179 <u>13</u> 1484	-13
11000 91 ₂ 90. 11	WS##	9.11 6.7	1043		9772 (102	- O 4 U		, 1.31	7.10 (100)	71 100%	77	2lace 76			1924	36

Notes	int	Yheld Red	Pings E	+ -		wek_ Low	Hotel	=	Ylest! Flext	Palca £	+ OT –	52 v High	mek _ Low	Yeld
Shorts" (Units up to Plan'	/amai						Tassa 7'4.0c 2008tt	7,45	7.14	1047		1074	9671	
Trees Criv 7pc 1997##	6.98	6.24	100&		抑基	100.1		7.75		103.3			8843	
Toman 8 Loc 1987##	8.68				1076	1002	11-369 ohr 59:05-644					1647		21-pe 01
Each 150: 1997	14.43	6.32	10323	-8	114%		7reas 11-kpc 2003-7	2 GB	7.13	1212	-5	1747	115 ¹ 8	2½0c 103
Each 94,pc 1998	9.54	6.44	1024			1003	Treas 812pc 2007 ##	7.75	7.14	1094	-3	1101	柳为	430c 04#(135.6) 1.00 1.40 118 13 120 1134
Trees 74-pc 1998##	7.20	6.58	1005		10013	100.7	Tream 7 1/4pc 2007##	7,17	7.10	101.2	٦,	10213	965	
Trees 15½0c 98##	1391	6.66	111選	-4	1221	1111	Tream 90; 2908 ##	7.89	7.16			1143	10343	2 ¹ 200 100
Each 12pc 1996	11 15	6.72	10733	-6	1144	1073							_	
Treas 91 ₃₀ sc 1989##	9.11	6.75		-4		9772	Trees 8pc 2009	7.51	7.19	106월	-7	10812	9.	81-100 EUO 000 DEC 100 5 100 100 100 100 100 100 100 100 1
Treas Filig Plate 1999##	-				1002	99%	Treat & 1/4pc 2010##	6.81	7.21	91登	_	9733	既料	
Exch 124.0c 1999	11.19			-4		109.1	Conv 90c (n 2011 ##	7.77	7.20	11512	~&	116	10513	2½pc 20
Treas 10 ⁴ 2pc 1999	9.82				11133	10612					_			44gc 30#(135.1)
Fream Spc 1999 #	6.08	6.79		- <u>3</u> .		9615								
Xaneareian 10 kpc 1999	9.52		107[4	ᆘ		108 <u>&</u>								Prospective real redemption rate on projected inflation of (1
Joev 9pc 2000##		6.89	105,7	-&		10353								10% and (2) 5%. (b) Figures in parentheses show RPI base to
[rsas 13pc 2000		6.95	117	-7		116,								Indexing 6e 6 months prior to issue) and have been adjusted to
Trees 14pc 1998-1		6.61	107곱		116()		Over Filteen Years							reflect rebasing of RPI to 100 in February 1987. Conversion laster 3-945. RPI for August 1998: 153,1 and for Merch 1997.
reas 8oc 2000‡‡	7.75	6.93	16314	يد		10143	Trees Spc 2012##	7.73	7.21	1185	\$	116,4	-	1554
(Abda Filig Rada 2001	5.67	-	100,7				Torans 57 ₂ pc 2008–12‡‡_	6.38	6.95	86,7	+14	86 <u>1</u> 1	76]]	ISLA.
oses 10pc 2001	9.10	6.98	10933		11312	9853	Trees Sinc 2013±±	7.44	7.20	1073	-4	107%	95%	
(maes 7pc 2001 #	7.00	6.96	1004	-6	1014	96/3	Treas 7 kpc 2012-15±±	7.39	7.22	1043	_	1054	937	
										_		_		
							Trees 8pc 2015##	7.38	7.16	105	_	100%	954	
							Treas 834pc 2017##	7.52	7.20	1162	-≛	116 <u>13</u>	10213	Other Fixed Interest
							Trees 8pc 2021##	7.30	7.15	16683	-∡	10833	9513	Office Liver mittages!
he to Filters Years									_	-				
(neas /pc 2002‡;	7.00	6.96	1004		1012	07 <u>11</u>								Yeld
reas 84 pc 2002	8.74	7.08	1112		1224	1094								Hotes Int Red Price E + or - High Low
rees Opc 2003##	7.85	7.06	104,	-₽		10012		٠.						Adam Der 104-per 2009 8.59 7.73 119-3 1224, 1126
reas 10pc 2003	8.74	7.11	1741		1164	1112	Dedated .							B70am 11 2gc 2012 9.08 8.45 126129 1221- 1211-
Rean 111 ₂ pc 2001-4	10.01	7.01	11435		121		Consols for	7.52	_	53 å	+52	54&	452	Leeds 13/200 2006 10.04 - 134/2 137/5 13
unding 31 ₂₀₆ 1999-4	4.07	5.84	86.L	+14		782,			-		-	_		I have a series of the series
coversion 91 ₂₀ c 2004	8.36	7.09	113()	- <u>₩</u>	1144	1084	Wer Loan 3120c##	7.28	·	487	+4	44.6	제됐	LCC 3pc 70 At E57 - 35mt 38 321
nean 6-kpc 2004##	6.87	7.05	98,2			91%	Com 31 ₂ pr 61 AR	5.38		65	_	85	384	######################################
oray 9 ½ pc 2005	8.32	7.13	114 ¹ e	-4	T224	108%	T		٠.					Mart War Stree 18" . 375 7 mm 80 . 85 741

7.38 7.35





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CURRENCIES AND MONEY

Dollar dips on talk of intervention

MARKETS REPORT

By Simon Kuper

The dollar fell yesterday on a report that Japan, Germany and the US had prepared on Tuesday night to sell large amounts of the

currency in the market. The report by the Japanese news service Kyodo quoted "an international financial source" as saying the intervention was called off after the US requested to watch the dollar's move-

ments for longer. But the report said Japan still sought joint intervention "when necessary". The Bank of Japan and the Bundesbank refused to comment

on the report. A ministry of finance official said Japan could use its \$220bn of foreign exchange reserves promptly in the market if needed. Earlier, Mr Eisuke Sakakibara, director general of the ministry's international finance

POUND SPOT FORWARD AGAINST THE POUND

19,8050- -0.0434 936 - 164 58.0794 -0.1283 299 - 299 10.7124 -0.0311 075 - 173

bureau, had said it would be pinch of sait. Mr Carl Weinhard to procure funds for berg, chief economist at intervention directly from High Frequency Economics the money market.

nigs against the D-Mark, and DM1.720.

Japan and possibly the US might intervene to weaken the dollar. The Group of ■ The short sterling futures Seven industrialised nations market often moves in sursaid in a statement on prising ways. On Tuesday it exchange rates after its Washington summit on April 27 that "excess volatil- Yesterday it corrected itself. ity and significant deviations from fundamentals are

undestrable". The dollar has

risen since the autumn.

Pound in New York --Latest-- -- Prev. close --1.6330 1.6326 1.6309

19.8720 19.7495 19.7515 58.2900 57.9300 57.9244 10.7569 10.6834 10.8869

1.4435 -0.0031 426 - 443 1.4495 1.4870 1.4408 2.2 1.4349 2.4

in New York, said: "Am I The dollar lost Y0.5 going to bet the ranch on it? against the yen and 0.3 pfen- No. Am I going to keep my eye on the horizon? Yes." closing in London at Y124.9 But he pointed out that intervention often comes on The markets have been days of low volumes - and worried for weeks that European markets are shut today.

again flew in the face of conventional economic wisdom. On Tuesday futures contracts soared after Mr Gordon Brown, the UK chancellor, gave the Bank of Most in the market took England the right to set the Ryodo report with a interest rates. The March

taking a tough line on infla-

lower than they would have under a chancellor. 1999 contract jumped 23 basis points, and most 1997 contracts rose sharply too.

tion, base rates would be down 10 points. That

98.7 94.2 77.8

4.7

1,4078 2.5

May 7

128.4

Yet almost every market economist in London was predicting the opposite: that the Bank would set higher rates than a chancellor would have. Yesterday the futures mar-The market seemed to be ket caught up with this betting that with the Bank view. Contracts fell, with the

ther rate rises. If the Bank will indeed be short sterling strip was

> rise was irrational. ■ The Bank may look at different indicators than chancellors did when setting interest rates. Mr Shaw

September 1998 contract

12.1430 12.0830 12.0843 95.8320 35.4440 35.43 95.5783 6.5377 6.537 5.2001 5.1735 5.1895 5.8240 5.7845 5.7801 1.7288 1.7170 1.7162 274.340 272.680 274.645 1.5130 1.5035 1.5104 1.700 17 1800.00 1700 95

1699.00 35.4440 1.9314 7.0835

173,360 172,660 145,770 145,030

7.8279 7.7258 1.4644 1.4543 1.6396 1.8299 1.1356 1.1290

-0.075 700 - 100 -0.0188 449 - 469 -0.0094 745 - 820

5.1783 -0.0094 745 - 820 5.2001 5.8008 -0.0152 005 -010 5.8240 1.7194 -0.0037 19 -010 18.274.340 1.5109 +0.0079 037 - 120 1.5130 1.5109 +0.0079 037 - 120 1.5130 1.5109 -0.075 700 - 100 35.8320 1.5342 -0.004 338 - 345 1.9421 7.1230 -0.0149 220 - 240 7.1500 172.825 -0.43 800 - 850 173.360 145.045 -0.48 030 - 650 173.360 145.045 -0.48 030 - 650 173.360 145.045 -0.0049 323 - 398 7.8279 1.4589 -0.0052 584 - 594 1.4544 1.6385 -0.0001 360 370 1.6366 1.1338 +0.0024 334 - 341 1.1356

Est vol Open int

2.0 35.3025 1.6 6.5186 2.0 5.1508 2.2 5.7691 2.2 1.7097 -6.8 277.215

were with output data.

to advise. Now he has to act,

occurred even though UK pointed to the Bank's con-industrial output for March cerns with monetary aggreemerged weak, apparently gates and house prices, both reducing the chance of fur- evident from minutes of monetary policy meetings. Mr Weinberg notes the quick to raise rates, why did Bank's obsession in recent the contracts jump on Tues- months with monetary and day? Mr Philip Shaw, chief cost indicators. Economists economist at Union Discount Say the Bank might be less

in London, said: "The entire concerned than chancellors caught up in the euphoria of Mr Nick Parsons, currency Bank of England indepenstrategist at Paribas Capital dence yesterday, and bene- Markets, disputed the mainfited from the rise in the stream view that the Bank gilts." In short, Tuesday's would be more likely than a chancellor to raise rates. Most economists cite the frequent requests for a rate rise made by Mr Eddie George. governor of the Bank of England, to Mr Kenneth Clarke, the previous chancellor. But Mr Parsons points out that Mr George's job has changed. He is no longer the hawk on a politician's shoulder. "Before Mr George had

2.1 34,7625 1.7 6,4369 2.1 5,0683 2.2 5,6608

WORLD INTEREST RATES MONEY RATES # & LIBOR FT London

EURO CURRENCY INTEREST RATES E THREE MONTH PESOR FUTURES MATIFIPER'S Interbank offered rate and so we'll see a less hawk-96.37 96.34 - 96.38 96.33 36,189 72,928 96.44 96.44 +0.02 98.48 98.42 21,759 53,590 96.44 96.44 +0.02 96.47 96.42 10,075 35,576 ish stance," said Mr Parsons. E THREE MONTH EUROMARK FUTURES (LIFTE)" DM1m points of 100% Open Sett price Change
 96.79
 96.78
 -0.01
 96.79
 96.78
 12250
 232704

 96.74
 96.72
 -0.02
 96.74
 96.72
 17047
 210702

 96.60
 96.59
 -0.01
 96.60
 96.58
 14693
 234831

 96.46
 96.46
 -0.01
 96.48
 96.45
 14097
 192007
 2.0 103.1 1.7 105.2 2.1 82.0 2.4 105.4 M ONE MONTH EUROMARK FUTURES (LIFFE)" DMSm points of 100% Open Sett price Change High Low Est. vol. Open Int. 5.7901 2.2 5.7691 2.2 5.6608 2.4 105.4 1.7162 2.2 1.7097 2.3 1.676 2.5 104.4 1.7162 2.2 1.7097 2.3 1.676 2.5 104.4 1.5104 0.4 1.5099 0.3 1.5112 0.0 -1703.95 -2.1 1708.8 -1.8 1718.5 -1.0 75.8 35.43 2.0 35.3025 2.1 34.7625 2.0 103.1 1.9304 2.4 1.9224 2.4 1.8868 2.4 102.7 7.1193 0.6 7.1136 0.5 7.088 0.5 98.1 172.955 -0.9 173.105 -0.6 172.84 0.0 94.7 145.135 -0.7 145.255 -0.6 145.05 0.0 77.8 1.4542 3.9 1.4447 3.9 1.3962 4.1 104.1 1.8356 0.7 1.8339 0.6 1.8272 0.6 100.2 1.1349 -1.2 1.1375 -1.3 1.1527 -1.7 96.81 96.81 96.80 96.80 4192 725 96.79 96.78 THREE MONTH EUROLIRA FUTURES (LIFFE)" L1000m points of 100% Low Est. vol Open int. Open Sett price Change High 83.26 93.25 -0.02 93.25 93.25 93.55 93.55 -0.01 93.53 93.51 93.67 93.69 - 93.71 93.56 93.68 93.73 +0.01 93.76 93.88 83.26 83.25 -0.02 93.28 93.55 83.55 -0.01 93.58 12938 7285 76353 MONTH ISUNO SMISS FRANC PUTURIES (LIFTE) SFrim points of 100% Open Sett price Change High Low Est, voi Open int. 98.16 88.12 -0.04 98.16 98.09 98.15 98.12 -0.03 98.15 98.08 98.04 98.01 -0.03 98.04 97.96 97.90 97.91 -0.04 97.91 97.87 55485 35681 6148 5873 3035 347 9429 E MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100% - 106.D Open Sett price Change High 99.54 99.15 98.95 98.94 +0.01 98.95 98.95 MONTH ECU FUTURES (LIFFE) Equim points of 100% 5.1 122.2 Open Sett price Change High Low Est, vol Open int. 393 489 220 23 7699 5409 5582 3747 95.83 95.82 -0.02 95.84 95.80 95.83 95.82 95.74 95.74 95.65 95.65 -0.01 +0 -0.02 95.83 95.81 95.74 96.73 96.66 95.85 LIFFE tutures also traded on APT

EUROLIPA OPTIONS (LIFFE) L1000m points of 100% 0.64 0.47 0.33 0.13 0.04 0.01 0.16 0.24 0.37 0.20 0.28 0.39

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(Peso)	1.6363				5393 1	.6297	-	-	•	-	-	-	-	Argentin	na (Pe	9.0	999	- 9	98 - 989	0.9899	0.9998	-	-	-	-	-	٠ -	
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	2,2804	+0.0041	592 - (375 2.	2648 2	2449	2.2542	3.3 .	2.2427	3.1	2.201	26	84,9	Canada	0	XX) 1.3	B12 ·	+0.0025 8	309 - 815	1.3819	1.3741	1.3783	2.5	1,3731	2.3	1.3517	2.1	84,1
	12.9505		375 - 6	334 12.	3814 12	.8844	-	-	-	-	-	-	-	Mexico	(New Pe	so) 7.9	135	+0.0365 (DBO - 190	7.9190	7.9070	8.0315	-17.9	8,298	-19.4	9.1585	-15.7	
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(HKS)	12,6763	-0.0081	716 - 8	310 12.0	9995 12	6263	12,6703	0.6 1	2.6597	0.5	12.625	0.4	-	Hong Ko	ong (H	(S) 7.7	460 -	-0.0014 4	155 - 465	7,7470	7.7450	7.7459	0.0	7.7485	0.0	7.7575	-0.1	
(Fb)	58.6964				7990 58	4840	-	-	-	-	-	-	-	India.	Ŭ (k) 35.8	670	+0.032 4	150 - 890	35.8900	35,8450	36.082	-7.2	36.542	-7.5	-	-	
Ship	5,5852	-0.0045	568 - 7	735 5.	575 4 5	.5533	-	-	-	-	-	-	-	Israel	gs	14) 3 <i>4</i>	007 -	-0.0025 9	366 - D47	3.4054	3.3985		-	-	-	-	-	
(Y)	204,309	-0.937	173 - 4	45 208	390 20	3.780 2	203.249	6.2 2	01.239	6.0	182,424	5.8	121.8	Japan	_	Y) 124.	845	-0.565 8	300 - 890	125,800	124,600	124.31	5.1	123.285	5.0	118,485	5.1 1	22 2
(645)	4.1085	+0.0072	064 - 1	05 4.1	196 4	.0953	•	-	-	-	-	-	-	Medaysta	. 0	(\$) 2.5	105	+0.0045 1	00 - 110	2.5135	2.5070	25133	-1.4	2.5187	-1.3	254	-1.2	,
(NZS)	2.3899	+0.0085	883 - 9	NS 2.5	964 2	3842	2.3897	0.1	2.3907	-0.1	2.3979	-0.3	114.7	New Zea	etend (N	\$ 1.4	604 -	+0.0053 5	9 99 - 609	1.4628	1,4590	1.4627	-1.9	1.467	-1.8	1.4877	-1.9	
(Pesc)	43,1422	+0.0014	922 - 9	22 43.	950 43	.0049	- ·		-	-	-	-	-			o) 26.3	825 ·	+0.0025 4	100 - 850	26.3850	26,3400	-	-	-	-	-	-	
(SP)	8.1377	-0.0004	357 - 3	97 6.1	488 6	.1141	-	-	-	-	-	-		Saudi Ar	nabila (8	P) 3.7	505	- 5	604 - 506	3.7507	3.7504	3.7508	-0.1	3.7512	-D.1	3.7531	-0.1	
(53)	2.3867	-0.0003	652 - 6	382 2.5	704 2	3574	-	-	-	-		-	-	Singapo	e i	S 1.4	482 -	-0.0001 4	157 - 467	1.4476	1.4451	1.444	1.8	1,4394	1.0	1.4182	1.9	
	7.2914	+0.0011	867 - 9	81 7.	1069 7	2612	-	-	-	-	-	-					555	+0.001 5	40 - 570			4.4962	-11.0		-10.4	4.886	-8.7	
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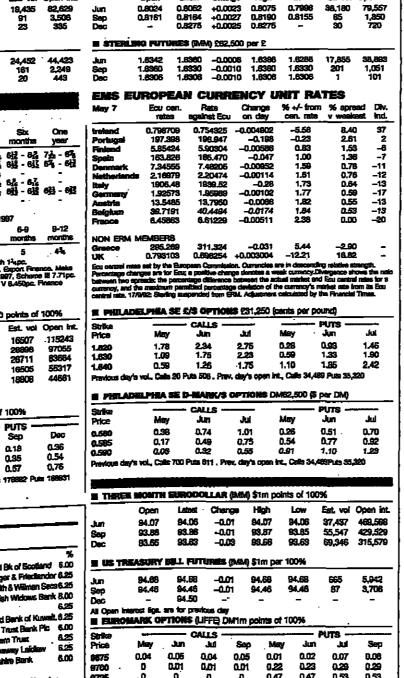
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Switzerland	(SFr)				1.178	1.083	2784		11.66	282.8	237.4	12.66	2.388	1	2.2
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italy	<u>. a</u>				0.889	0.342	879.6		3.684	89.35	75.01	4.000		0.318	0.7
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COMMODITIES AND AGRICULTURE

Philippine mining hit by fiscal delay

The Philippine mining industry lost as much as \$240m last year because the government failed to settle the fiscal regime for mining projects, the head of the government's mines and geosciences bureau (GMB) said yesterday.

regional judge announced that one Filipino and two Australian mining officials would appear in court to face charges after last year's spill of tailings from a copper mine.

The leak, from a mine on Marinduque island into the Boac river, led to the suspension of exploration licences for foreign mining

ing regulations in the country. the spill, and expects to pay \$15m.

The three men - executives of In March, Placer Dome said it was

Canada - will appear in court on concentrate on gold mining. May 28 and 29. Mr John Loney, former president mer resident manager, and Mr

Pedro Hernandez, senior manager, face charges of violating the Philippine's mining act, criminal neglithe water code. The maximum penalty is six years imprisonment in addition to fines of 3,000 pesos (\$114) for each day of violation. Marcopper is still clearing the allowed to explore up to 81,000

Marcopper, the group formerly 40 handing back its 40 per cent stake per cent owned by Placer Dome, of in the group as part of a strategy to

Speaking in Australia, where he

is promoting investment in the of Marcopper, Mr Steve Reid, for- Philippine mining industry, Mr Horacio Ramos, director of the GMB, said about \$120m was spent last year on mineral exploration. This could have reached \$360m. gence, pollution and violation of however, if the government had concluded negotiations on its stake

under the financial or technical assistance agreements (FTAAs), under which mining companies are

By Nikki Tait in Sydney

and the state government.

as the state government.

lated developments.

owned by Century will also

be progressively transferred

RTZ-CRA - which vester-

day saw its annual general

meeting in London picketed

by environmental protestors

to aboriginal communities.

same land.

allowed to take 100 per cent stakes in mining projects. At present, FTAAs are on hold,

following the Marcopper accident. After a public outcry against foreign mining companies, all but two of the 70 applications for exploration licences were frozen and in January the government announced a series of measures to punish companies leaking waste and obliging them to spend 10 per cent of initial costs on environmental improvements.

The Philippine mining industry has been stagnating over the last long- term sustainability," Mr decade, declining from 25 per cent Ramos said.

companies and an overhaul of min-river more than 13 months after hectares at a fee of 50 pesos per of exports receipts 10 years ago to the spill, and expects to pay \$15m. hectare. Foreign companies are about 4 per cent last year, but around 100 applications for new licenses are now pending.

Mr Ramos said he hoped to sign an agreement before the end of the month. The government was looking at taking 50 per cent of mine revenues after operational costs, he said. This would take effect once the mining company had recouped initial costs.

"We need to come up with a sharing agreement that is not only acceptable to foreign investors but also acceptable to our people, because in that way we will ensure

The London-based com-

Yesterday, Pasminco, the

Century is set to produce

to meet the environmental

standards required by the

Dutch authorities at its

Budel smelter. Century is

seen as the only signifi-

cantly large-scale supplier.

COMMODITIES NEWS DIGEST

Central bank sales 'overshadow gold'

Central bank sales of gold were the "single most important influence on the market last year" and the threat of more selling will dominate prices in the immediate future, Gold Fields Mineral Services said yesterday. The company's annual gold survey predicts that gold will continue to be overshadowed, in particular by the prospect of European monetary union.

The survey says European Union countries hold 39 per cent of world gold reserves, and a "new generation of [central bank] managers without the reverence for gold of their predecessors" are "inclined to view their bullion reserves as little different in principle from foreign

Scant investor interest, nervousness over official selling, slightly increased supply and only marginally higher demand from fabricators combined to prevent the average price for gold in 1996 as a whole from advancing significantly; it moved up just 1 per cent, to \$387.87 a troy ounce, from \$384.05 in 1995. Reflecting an increasingly widely-held view, the analysis suggests this price is unlikely to move much this year. "The gold market . . . fears that there could be pre-emptive gold sales [by central banks] while countries still have autonomy in the run-up to Emu," it says.

Russia to release diamonds

More than \$100m worth of diamonds bought by De Beers, but trapped in Russia by government red tape, can now be taken out of the country, Russian officials said. The diamonds will be released thanks to a recent government order which has given Almazy Rossii Sakha, Russia's leading diamond producer, the right to export diamonds until the end of May. The diamonds were bought by De Beers from ARS in February.

ARS officials said they were hopeful the government would soon give the company the right to export diamonds for the rest of the year. The order granting export permission for May was signed on April 26 by Mr

Victor Chernomyrdin, the Russian premier. The temporary export permission is the latest twist in the Kremlin's confused diamond policy, whose constant shifts have throw the Russian diamond industry into chaos and ruptured a relationship between Russia and De Beers established nearly half a century ago. In London yesterday, De Beers said it was "seeking confirmation" that the order had been signed.

Chrystia Freeland, Moscow

企业的基础

×: 200

72.50

.....

Copenhagen clears Roundup

Suspicions that traces of the herbicide Roundup had been found in Copenhagen's water supply have been dismissed by its water authority. Traces of Ampa, the residue found in water samples, were not from Roundup but from detergents used to wash the bottles used for the tests by a laboratory in the Netherlands, said Mr Gert Fischer. director of the city's water supply agency.

Monsanto, the US chemicals company which produces Roundup, has denied throughout that the traces of Ampa could derive from Roundup, which is thought to be safe to use because it is rapidly broken down into harmless substances in the earth. Hilary Barnes, Copenha

Coffee rally continues

MARKETS REPORT By Gary Mead

Coffee continued to enjoy its day, with the price for the closing at \$1.753 a tonne.

\$53 up on the previous day. falling \$1 an ounce to \$372. cialists said the persistent interest came from both the London Metal Exchange speculative traders and fund buying. Prices on the London International Financial Futures Exchange peaked earlier at \$1,766, the highest since March 12.

The attention being paid to the Liffe-traded future is closely shadowing trading of arabica futures in New York, where in early trading yesterday the cash price reached a record \$2.56 a

Cocoa also enjoyed a stronger day on Liffe, with the July contract finishing £15 higher at £1.004 a tonne though in the absence of fundamental news, trading

Reports that Russia might finally have signed a decree to resume exports of palladium hit prices of the white precious metal in London. The price has been pushed

up by 42 per cent since December. The spot price for the precious metal lost \$2.50 on the day to \$153.25.

Gold fixed in London recent London rally yester- slightly higher, at \$341.10 an ounce, up from \$340.65. July contract for robusta but platinum was dragged down along with palladium,

> Trading in base metals on was lacklustre, with aluminium the only exception. The three-month contract closed up \$29 a tonne at \$1.661, following news that LME stocks had fallen by 6,700 tonnes and that further falls were likely. The threemonth contract for copper ended \$10 up on the day, at \$2,370 a tonne.

On London's International Petroleum Exchange, the June contract for Brent crude oil hovered around \$18 a barrel and in later trading was up 15 cents at \$18.22.

Some traders saw signs of bullishness after weekly figures from the American Petroleum Institute put demand for gasoline at 8.76m barrels a day.

Chinese metals group loan, e metals group loan, – gave the go-ahead to the Int Capital Markets Century Zinc project more



RTZ-CRA reached agreement in Queensland on title disputes but was picketed at its annual meeting in London

than two years ago, but late so that the project could development stalled because it could not reach agreement with all the native title claimants. The Queensland

override the title issues, but the suggestion provoked controversy.

Last July, RTZ-CRA called government offered to legis- a halt to site work, rejected

RTZ-CRA results, **UK Companies**

COMMODITIES PRICES

1614.5-5.5

BASE METALS LONDON METAL EXCHANGE ALUMENIUM, 99.7 PURITY (\$ per torme)

High/low	1030-33	1662/1634
AM Official	1606.5-07	1634-34.5
Kerb close	1000.5-01	1660-1
Open Int.	276.237	1000-1
Total daily turnover	113.816	
ALUMINIUM AL	TO L (2) DEL (0	nne)
Close	1485-90	1510-2
Previous	1470-75	1495-500
High/low		1515/1500
AM Official	1480-85	1505-10
Kerb close		1510-15
Open int.	5,496	
Total daily turnover	1.156	
III LEAD (\$ per ton	ne)	
Ciose	612-4	623-5
Previous	615.5-6.5	626-7
High/low		632/622
AM Official	614-6	625.5-6
Kerb close	8E C-2	625-6
Open int. Total daily tumover	35.919 5.840	
-		
# NICKEL (\$ per t	ionne)	
Close	7445-55	7580-65
Prévious	7330-40	7445-50
High/low		7620/7480
AM Official	7390-95	7505-10
Kerb close		7610-20
Open int.	48,415	
Total daily turnover	26,274	
# TIN (\$ per tonne	a ·	
Close	5735-45	5770-80
Previous	5765-75	5795-800
High/low	CTFF 66	5810/5770
AM Official	5755-65	5785-85 5790-95
Kerb close	17.000	5790-95
Open int. Total deliy tumover	17,009 4.856	
•		
ZINC, special h	idu čisoe (2 b	er tonne)
Close	1255.5-6.5	1277-8
Previous	1255.5-58.5	1277-77.5
High/low		1287/1274
AM Official	1261-62	1282-83
Kerb close		1287-8
Open Int.	86.189	
Total daily turnover	17,734	
COPPER, grade	A (Si per tonn	ej
Close	2408-10	2353-4
Previous	2429.5-31.5	2363-64
High/low		2370/2348
AM Official	2425-26	2360-60.5
Kerb close		2370-0.5
Open int.	134,886	
Total daily turnover	42,668	
I LME AM Officia		
LIME Closing S/	5 rate: 1.6370)
Sport 1.8365 3 miles: 1.633	9 6 mille: 1.6312 9	robs: 1.6292

111.10 +1.35 111.30 103.70 869 4.296 111.05 +1.50 111.10 110.00 75 2.558 110.45 +1.40 110.80 103.00 4.487 24.045 108.60 +1.45 108.20 108.20 38 1.385 107.20 +1.55 107.35 108.00 249 5.362 - 104.60 PRECIOUS METALS

III LONDON BULLION MARKET (Prices supplied by N M Rothschild Gold(Troy oz) \$ price £ equiv SFr equiv Close 341.00-341.50 Opening 340.40-340.70

340.65 208.591 497.485 341.10 208.242 498.983 Day's High 341.50-341.80 Day's Low 340.06-340.35 Previous close 342.50-343.00

Silver Fix US cts equity. 288.15

472.10 478.20 484.25 497.35 292.30 296.35 305.10 80-83 48-50

Precious Metals continued ■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

+0.9 343.0 341.4 32,806 76,975 +0.9 345.6 344.5 307 18,431 +0.9 348.0 348.0 13 6,313 34,303,168,134 E PLATRIUM NYMEX (50 Troy oz.; S/troy oz.) -0.1 374.0 370.5 1,335 12,840 -0.1 374.5 372.5 294 3,046 -0.1 - - 1,180 -0.1 - - 14 1,498 17,698 I PALLADRUM NYMEX (100 Troy cz.; \$/troy cz.) -1.20 158.70 153.20 871 6,388 -0.95 159.00 153.50 375 2,777 SELVER COMEX (5,000 Troy oz.; Cents/troy oz.) +2.5 478.0 473.0 10.094 57.756

+2.5 482.0 479.0 160 5.333 +2.6 489.0 487.0 50 7.336 +2.6 - - 1 18

ENERGY R CRUDE OIL NYMEX (1,000 barrels. \$/barrel) 19.81 +0.15 19.90 19.57 40.542 89.219 19.84 +0.06 19.93 19.74 5,820 30,492 19.86 +0.07 19.92 19.80 2,901 18,052 40.09 19.89 19.82 1.203 15.951 ■ CRUDE OIL IPE (\$/barrel)

18.36 3.614 18.629 18.57 +0.04 18.62 18.55 M HEATING OIL MYMEX (42,000 US galls.; c/US galls.) 53.60 +0.07 54.30 53.35 14.251 37.112 33.60 +0.07 94.30 53.50 14.251 37.112 53.66 +0.11 54.65 53.40 4.233 22.908 54.30 +0.25 54.45 54.00 1.890 14.335 54.90 +0.11 54.95 54.80 938 8.367 55.75 +0.21 55.75 55.60 248 8.237 56.20 - 56.45 56.00 438 7.357 23.778 137,549

GAS OIL IPE (S/Imme) 167.50 +1.00 168.50 166.25 9.685 17.241 166.50 +0.25 167.50 165.25 166.25 +0.25 167.50 167.25 167.50 167.25 169.25 -0.50 169.75 169.00 171.25 -0.25 171.50 171.00 173.25 -0.25 173.50 173.00 1,442 8,838 445 7,108 20 3,230 28 3,833 2.395 +0.088 2.420 2.295 17,844 41,892

2.420 +0.082 2.430 2.325 7.197 29,074 2.320 +0.985 2.400 2.309 2.722 17,890 2.370 4.080 2.380 4.050 2.389 2.311 2.074 16,984 2.485 +0.035 2.485 2.450 989 7,882 50.40 +0.70 60.70 80.01 59.45 +0.65 59.45 59.10 58.20 +0.50 58.30 58.00

GRAINS AND OIL SEEDS WHEAT LIFFE (100 tonnes. È per tonne)

91,00 -0.50 91,75 90,75 93,10 -0.85 94,00 92,50 - 95.75 94.50 655 8.192 395.00 +1 402.00 395.00 368 411 404.25 +1.75 410.00 403.00 22,251 57,099 410.25 +2.25 418.00 409.00 1,832 13,318 421.75 +2.5 427.00 419.00 2,954 15,425 423.00 +2.5 427.00 423.00 169 1,110 27,590 87,615 288 00 -0.5 290 50 287.75 13.544 12.944 270.25 +1 271.50 269.25 3,909 25,934 269.00 +1.25 270.50 267.50 23,245106,689 274.25 +1.75 275.50 272.50 648 10,686 279.00 +2 279.00 277.00 23 817 99,272, 298,829

- 90.00 90.00 10 - 91.25 91.00 - - -27 91.75 97.75 1.686 SOYABEANS (ST (5,000be mis; cents/60b bushel) +2 903 50 891.00 3,485 5,224 - 902.00 887.00 37,320 106,169 882.00 +0.25 889.50 861.00 3,419 19.512 765.25 +6 768.00 761.00 2,435 8,219 707.50 +8.25 708.00 702.50 11.807 48,215 713.00 +6.5 713.00 706.00 M SOYABEAN OIL CET (60,000lbs: cents/lb)

25.28 -0.21 25.67 25.20 2.413 19.440 M SOYABEAN MEAL CBT (100 tons; \$/ton)

30.0 -60.0 +1.0 123.0 +5.0 124.0 120.0 FREIGHT (BIFFEQ) LIFFE (\$10/index point) 1315

May Joh Jol Oct Jac Apr Total

353

May Jel Sep Hov Jen Mar Totel ■ WHEAT CBT (5,000bu min; cents/80b bushel) ■ COCOA CSCE (10 tonnes; \$/tonnes)

■ BARLEY LIFFE (100 tonnes: \$ per tonne)

24.52 -0.33 25.00 24.51 2,767 1,093 24.84 -0.25 25.27 24.82 10,513 50,780

301.9 +2.4 303.0 299.5 3,716 11,228 233.8 +1.3 296.0 291.5 14.620 52.086 79.7 +22 282.0 291.3 14.80 52.08 79.7 +22 282.0 277.8 2.339 15.317 289.0 +1.9 261.8 288.0 1.276 8,663 234.3 +3.5 234.3 232.5 428 9,678 224.3 +2.1 225.5 233.0 1,822 17,982 ■ POTATOES LIFFE (20 tonnes; £ per tonne) ■ COTTON NYCE (50,000lbs; cents/lbs) -9 20.0 15.0 96 +1.0 - - -

105 1,103 195 1,114 -20 1350 1325 -10 1315 1290 -15 1200 1200 -7 1345 1330

FUTURES DATA

Nurts and seeds
Prices from Kenido: USS a torne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC prices 4,100 CPR, up due to frost damage on 1997 crop; long type only from second hand. Walmuts US jumbo inshell 2,300 CPT Europe duty paid; East Europe LHP mb: 4,050 CPT Europe, falling due to slow sales. Turidish hazel-suts standard No 1: falling due to high dollar, price Idea 4,550, Italian goods matching prices. Turidish and Iranian such tantes: 1,250 CFR MEP, firm with lewer goods. branian Industrial apriicota: 1,790 CPR, MEP firming. Indian cashewes: row crop 1997 CFR Europe, W320 5,860, W240 5,950. US siznondas crop 1996 23/25 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 23/35 SSR 5,850 FAS down a bit; crop 1997 12/35 SSR 5,850 FAS down a bit; crop 1997 12/35

SOFTS ■ COCOA LIFFE (10 tonnes; £/tonne)

+17 983 976 76 178 +14 1008 991 1,515 39,985 +14 1025 1009 855 13,430 1009 1,702 29,123 1015 1,530 30,735 1037 +12 1039 1034 517 14,749

+24 1424 1415 12 193 Jun +19 1432 1420 4,858 31,724 Jul +17 1455 1446 1,029 13,497 Aug +18 1495 1474 946 18,078 Oct +16 1511 1506 227 20,149 Dec +16 - 3 8,553 Feb 1453 1483 1509 +17 1455 1446 1,029 13,437 +18 1485 1474 946 18,078 +16 1511 1506 227 20,149 7,072 94,208 E COCOA (ICCO) (SDR's/tonne)

COFFEE LIFFE (5 tonnes; \$/tonne) 1693 +58 1696 1620 243 1,281 1763 +53 1768 1885 5,566 22,727 1765 +50 1775 1700 2,518 11,984 Total ■ COFFEE 'C' CSCE (37,500fbs; cents/bs) 245.65 -3.95 256.00 245.00 311 958 211.40 -1.45 218.00 209.00 6,130 15,460

191.35 +1.20 194.50 188.50 1.667 7.030 71.30 +1.65 173.00 169.25 1,153 4.450 159.00 +2.00 159.00 155.00 212 1,615 152.00 +0.50 152.00 151.50 38 279 ■ COFFEE (ICO) (US cents/pound)

WHITE SUGAR LIFFE (50 tonnes; \$/tonne) 311.7 -1.6 313.2 311.0 1,103 12,451 303.2 -1.8 304.7 302.7 573 6,241 301.9 -0.7 302.0 301.1 66 1,540 302.1 +0.1 301.6 301.6 20 1,589 302.5 +0.1 302.0 302.0 10 670 ■ SUGAR '11' CSCE (112,000fbs; cents/fbs) 10.76 -0.12 10.92 10.75 4,528 74,334 10.84 -0.08 10.73 10.62 1,838 39,334 Jei Oct Mar May Jui Total 10.61 -0.06 10.68 10.80 913 23,609 10.57 -0.05 10.62 10.57 145 5,421 10.52 -0.07 10.59 10.54 25 2,585

7,449 146,894 70.17 -0.03 70.20 88.90 99 55 71.92 -0.10 72.10 71.85 8,313 40,993 73.33 -0.15 73.50 73.30 1,183 3,016 74.46 -D.17 74.59 74.35 3.072 23.491 75.65 -0.25 75.75 75.65 306 3.615 76.27 -0.26 - 76.25 53 817 16,806 73,750 W ORANGE JURCE NYCE (15,000fbs; cents/fbs) 74.00 +0.60 74.00 73.45 158 548 74.75 -0.10 75.40 74.80 971 17,868 77.45 -0.23 78.40 77.45 119 8,307 80.25 -0.20 80.80 80.25 64 3,207 82.90 -0.20 83.35 83.00 80 1,345 85.45 -0.10 86.00 85.50 84 888

Mary Juli Oct Dec Mar Mary Total

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES E Reuters (Base: 18/9/31 = 100) May 7 May 6 month ago year ago 1973.8 1988.7 1944.2 2129.3 CRS Futures (Base: 1967 = 100) May 6 May 5 month age 246.04 246.34 E GSCI Spot (Base: 1970 = 100) month ago year ago 187.10 209.00

MEAT AND LIVESTOCK LIVE CATTLE CME (40,000bs; cents/fbs)

Jen Avg Oct 70.800 +0.225 70.825 70.525 426 71.200 +0.175 71.200 71.000 221 73.100 +0.125 73.100 72.850 38 III LEAN HOGS CME (40,000lbs; cents/lbs) 73.025 +0.475 73.100 72.200 144

89.850 +2.05 90.650 89.775 615 91.050 +1.1 92.900 90.700 2,140 90.200 +1.45 91.750 90.000 252

20 30 45 78 65 ■ COPPER 70 50 36 20 38 63 COFFEE LIFFE Jul Sep

BRENT CRUDE 50 -

E CRUDE OIL FOB (per barrel)

\$18.17-8.19 \$19.79-9.812 OIL PRODUCTS INVENT \$204-205 \$170-173 \$77-79 \$173-176 \$186-189 \$179-181 10.5-10.6

IPE (Jun) 10.570 +0.045 475.00c Pallechum (per troy cz.) Copper Lead (US prod.) Tin (Kuale Lumpur) Tin (New York) 115.Dc 45.00c 14.05r 271.5 Cattle (live weight) Sheep (live weight) Pigs (live weight)† -0.48° +6.55° +1.07° 112.50p Lon. day sugar (raw) Lon. day sugar (wia) Barley (Eng. feed) Malze (US No3 Yellow) Wheat (US Dark North)

65.225 +0.05 66.450 65.175 6.483 37,512 65.525 +0.275 65.360 65.200 3,003 27,290 68.975 +0.175 69.025 68.800 1 195 16.297 84.375 -0.15 85.450 84.100 5.230 17.613

+3 77.900 76.050 Har 75.100 +3 75.100 75.100 Total 3.043 9.278 LONDON TRADED OPTIONS E ALUMINOUM (99.7%) LME

■ COCOA LIFFE

LONDON SPOT MARKETS

\$17,75-7,90 Brent Blend (dated) Brent Blend (Jun)

(0171) 359 8792

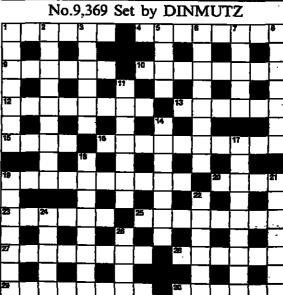
69.50p 273.5x Coconut Oil (Philis) Palm Oil (Malay.)§ Copra (Philis) Soyabeens (US) Cotton Outlook!A! Index 675.0y 562.5z +2.5

85.400 +0.25 86.200 85.050 2,526 7,309 83.475 +0.325 84.000 83.175 1,201 6,038 75.475 -0.05 76.050 75.025 597 5,280

Rubber (Jun)♥ Rubber (Jul)♥ Rubber (KL RSS No1)

JOTTER PAD

CROSSWORD



1 Archives of Sapper to be 4 Water-carriers for baseball

Nothing clear about Cassandra, say (6) (7) Opening now branch has 11 Army officer, single, taken been moved? (8) beginning to need oint-

kind initially (4) 16 Ladies' magazine (6-4) 17 One can tell how much

23 Sum Don paid out in banks 25 Two donkeys past the post - one should make a killing! (8)
27 Special court hearing about röll (8) 28 Legs in motion make one run (6)

29 Near to fighting here? (8)
30 He still digs some of the
Wessex torque (6) 1 Spout in support of forward aircraft (43) 2 Clear air, we hear, in church (9) 3 Chronicle of quarrel at Elsinore (6)

5 Notionally, a centre of Christianity (4)

6 They may have careers planned around top of 7 Church leaders supporting one unusual son of Cain (5) 8 Bone discovered in Munster

in by pass? (7) 12 Clapham has one just 14 Contrary article served beginning to need oint-ment (8)

17 Management lapse? (9)

18 Mischievous child with a hedgehog in the country (8) hedgehog in the country (6) tles? (8)

15 Assumed to be excessively 19 R. Thames variety of

cheeky pet (7)
21 Light, in case it produced moisture is in the merry-go-round (10)

Traffic in Kent? (4)

23 Sum Don round and the magical effect (7)

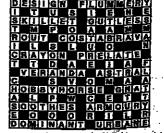
24 Send up, say, topless waiters for a change (6)

25 Sum Don round and the magical effect (7)

26 Send up, say, topless waiters for a change (6)

27 Marriaga of Found (1) ual, one getting on (5) 26 Group not allowed to appear, from the sound of it (4)

Solution 9.368





+000 4.5 +000 5.8 +000 5.8 +000 2.5 -1.9 +000 2.3 -2.5 -3.0

AND OVERSEAS

Offshore Funds

HEWS DIGEST

MAN MAY S 1997

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11.02 -0.02 -845 31.02 -0.00 -545 51.07 -1.08 -545 51.17 12.13 -5.27 -0.00 51.15 12.13 -5.27 -0.00 51.15 12.13 -5.27 -0.00 51.15 12.20 -0.00 51.12 10.75 -0.00 51.12 10.75 -0.00 51.14 -0.00 51.14 -0.00 51.14 -0.00 51.04 -0.00 5

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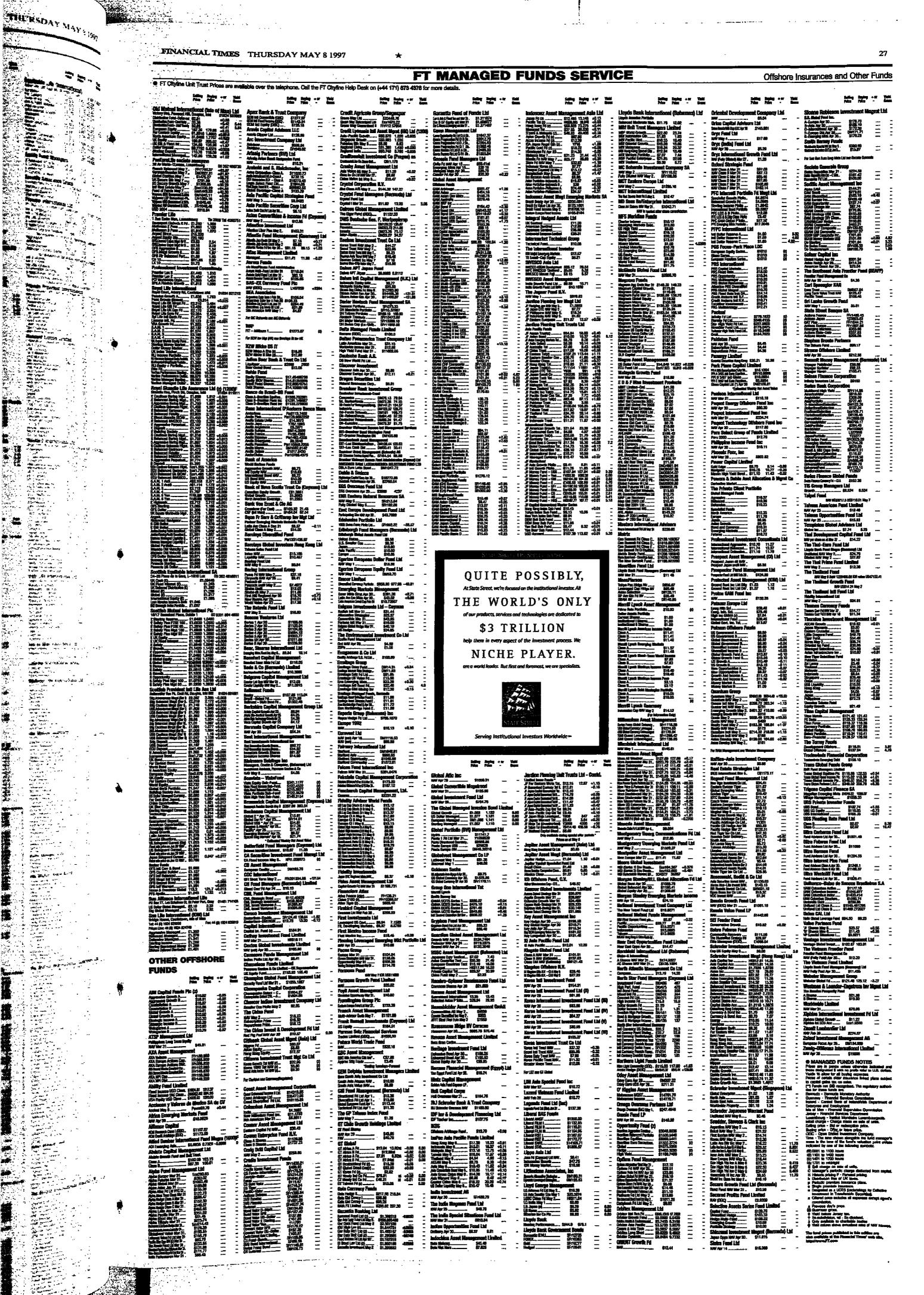
| Combine of Milling (1984) | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 | 1984 |

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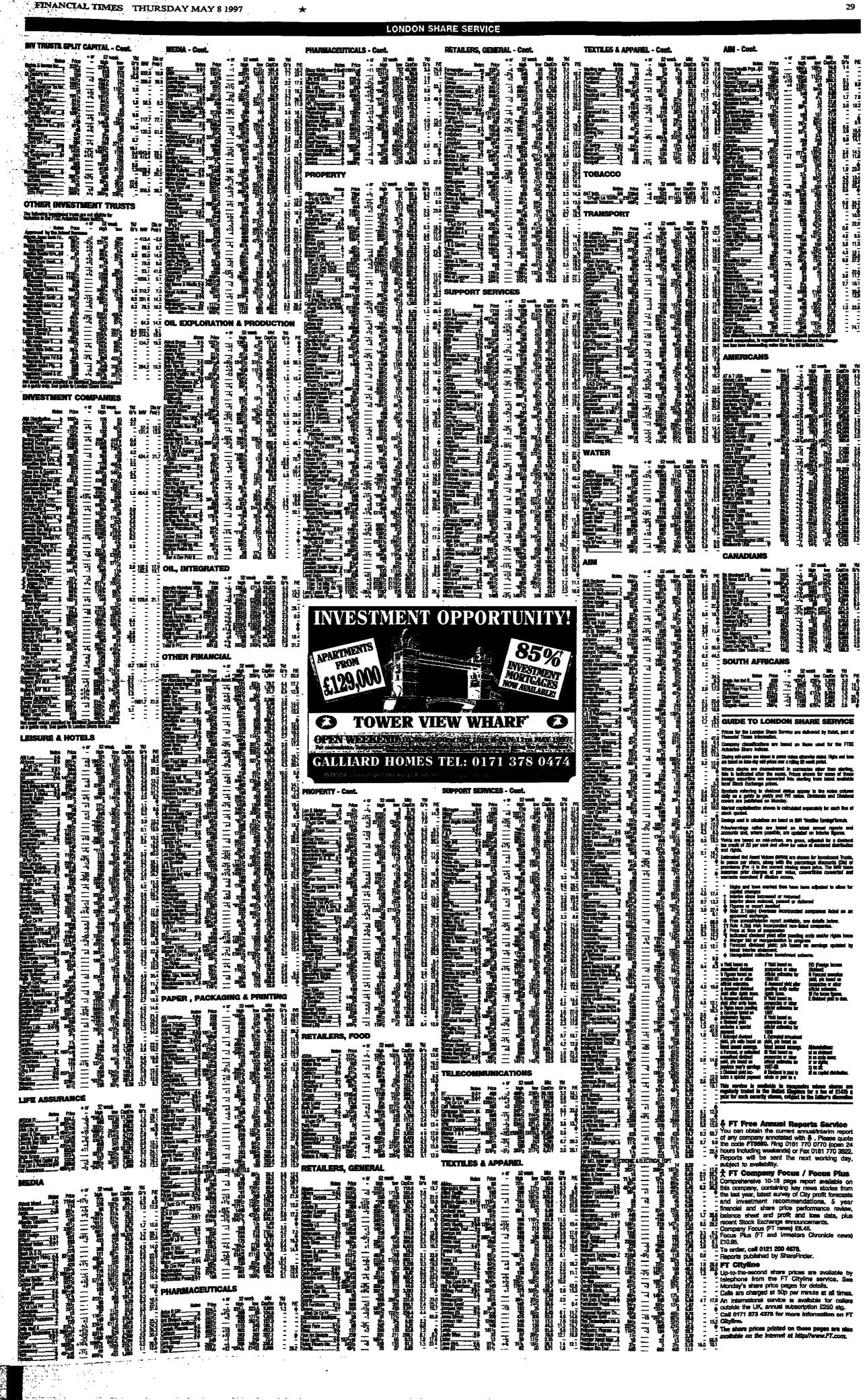
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LONDON STOCK EXCHANGE

Footsie off best but still at closing high

MARKET REPORT

By Steve Thompson,

Further overseas buying in the wake of Tuesday's change to UK interest rate management drove share prices to fresh peaks in London yesterday.

There was additional encouragement for stocks from the latest UK economic news, which showed industrial production and manufacturing output both down 0.1 per cent in March, compared with forecast rises of 0.6 per cent and 0.3 per cent respectively.

the chances of a further rise in Dow Jones Industrial Average UK interest rates in the short turned down sharply. The Dow term. Gilts finished the session around 7 to 8 ticks lower but were never pressured, according to dealers.

The buying from overseas funds was accompanied by a revival of support from some of the UK investment management groups, most of which preferred to keep out of the market during the run up to the election.

But London's sparkling early performance was dampened in is over the early afternoon, however. when news of a stronger than forecast US labour report brought a halt to the recent market observers as lessening surge on Wall Street, where the rise of 81.9 or 1.9 per cent. In

extended an early fall to one of over 50 points within half an bour of the London close. A 2.7 per cent rise in US non-

farm unit labour costs in the first quarter was seen as having inflationary implications. The next monetary policy meeting of the Federal Reserve is on May 20 and dealers in London

The FTSE 100 index followed up its 63.7-point gain on Tuesday with a further 18.2 advance to a managers, they said, was mainly record close of 4.537.5. a two-day

Exchange.

The shares opened at a

premium to the £11.00 flota-

slid back to close at £10.70p.

Dealers said two agency

cross trades were carried out

about 100,000 shares of the

Royal Bank of Scotland.

which has risen sharply in

recent weeks, was flat at

585p as the group failed to

impress with its first-half

profits; they only rose 14 per

cent to £369m in the six

months to March, compared

with expectations of between

profits was strong, yet the

result overall was a slight

positive surprises elsewhere

40,694 40,894 50,750 38,110 603.2 603.2 719.4 676.6

Analysts said the bank's

136,000 recorded.

£345m and £383m.

said Wall Street could have seen

its best levels until that meeting

mid-morning, Footsie hit a new intra-day peak of 4,562.0. The second liners and smaller Financial stocks remained capitalised issues, while by no strong, although closing off their means friendless, continued to best levels, after the chancellor's underperform the leaders. The move to allow interest rates to be FTSE 250 finished 1.2 off at

4,519.0, but never looked in good

form, and at its best was only 3.0

higher on the day. The SmallCap rose 3.7 to 2,304.9, having been 4.8 higher at one point

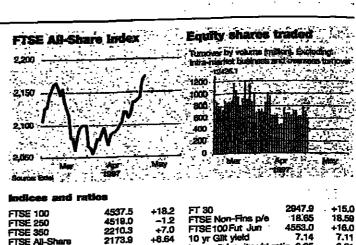
Dealers repeated Tuesday's story that much of the early buying interest came from overseas investors; activity from UK fund confined to sector and stock rotation. Overall, they suggested, the shares.

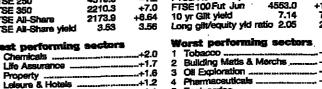
market still felt very strong, given the firmness of gilts. set by the Bank of England. The sector has been one of the real driving forces behind the London

still of crucial importance. The Halifax's conversion to banking status, involving the issue of free shares, means index tracking funds have still not lifted their weightings in what is the market's biggest sector. Turnover at 6pm was 803m

market in recent months. Dealers

insisted the "Halifax effect" was





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ICI deal revives shares

By Peter John and Joel Kibazo

ICI halted a period of stark as the chemicals group announced it had bought Unilever's speciality chemicals business for £5bn.

The shares, hammered by adverse currency moves and raw materials prices, had been lingering around a twoyear low. Yesterday, they jumped 43 - more than 6 per cent - to 757%p. And the biggest gain in the Footsie was accompanied by exceptional turnover of 16m shares.

ICI said the deal would be neutral, or positive, for earnings in the first year and analysts pointed out that the move would make ICI less dependent on potentially crucifying bulk chemical prices. Also, the purchase price was below some expec-

Nevertheless, Moody's Investors Service lowered and left under review for potential further downgrade all its ICI long-term debt ratings to Prime-2 from Prime-1. And S & P lowered ICT's commercial paper rating from A1

Unilever said the sale would result in an exceptional gain, before tax and expenses, of more than \$5bn. But shares slipped 31/4 to £16.44p as the sale increased BZW, which now includes

speculation that the com- Mr Michael Prew, has main- latest Premier League team. The financial sector, pany might launch a take- tained the "overweight" to float on the London Stock already strong on Tuesday

manufacturer and seller of household goods that is perceived to be the principal object of Unilever's affections, improved 11½ to 884p.

Doubts about the future of British Aerospace. The company is one of the prime contractors on the project. Shares in the UK industrial giant gave up another 8 to £12.77%p, having traded

However, Mr Brian Newman at Henderson Crosthwaite believes such doubts are misplaced and he predicts the project will soon receive the go-ahead from European

firmation to come at the think the UK, Germany, Italy and Spain will give the go-ahead for production toolthe first stage after

A bullish note on the property sector sent leading issues sharply ahead.

included British Land, up 6 to 595p. Great Portland 216%p, and Hammerson up The property team at

Reckitt & Colman, the

the Eurofighter project continued to cast a shadow over

governments involved.

the support of the new sons. Aston Villa became the Labour government in the UK and we expect final con-Paris air show in June. I ing worth around £3.5bn and

Estates, 10% higher at 10 to 461%p. Other rises were recorded in Land Securities. 21 ahead at 836p and MEPC, which closed 12 up at 4741/ap.

stance on the sector. The analysts said: "Whilst there is a chance of short-term disappointment, the fundamentals for the present look

stronger than at any time for the last 10 years. "If we are confident that short-term rates will not rise above 8 per cent then the outlook is very bullish for a

late cycle recovery sector." Football stocks received a drubbing. Manchester United slid 22 to 639p, with the good news that the club had maintained its hold on the English Premier league title already factored into the price.

A defeat on Tuesday for challengers Liverpool and a 24 per cent rise in banking draw by Newcastle - down 4½ at 119p - gave United their fourth championship disappointment after recent He said: "The project has win out of the past five sea-

.OW	"High _	Yr ago	3 0 '	Αрт	May 1	May 2	Aay 6	May 7	
68.8	2947.9	2772.0	8.4	28	2902.7	2907.4	2932.9	2947.9	T 30
3.74	4.22	4,02	.81		3.80	3.80	3.75	3.74	Ord. div. yield
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Open	9.00	10.00	11.00	12,00	13.00	14.00	15.00	16.00	High	Low
2934.0	2940.7	2951.7	2958.4	2956.6	2957.4	2957.2	2952.9	2950.0	2961.5	2933.5
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May 7 May 6 May 2 May 1 Apr 30 Yr ago "High 1093.8 1090.2 1081.5 1081.5 1080.4 1072.6 1140.4

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Rises and falls"		52 Week highs	and lows	LIFFE Equity opt	ions
Total Rises		Total Highs		Total contracts	80,080
Total Falls	671	Total Lows	55	Calls Puts	56,779
Same	1,557	ľ		Puts	23,301
Mary 7 "Data bas	ed on Eq	uity shares listed (on the Lor	ndon Share Service	L

The financial sector, after the Labour government moved to give the Bank of England more independence tion price and hit £11.50p but in setting interest rates, remained strong.

The sector, which has the biggest weighting in the at £11.75p and accounted for FTSE 100 index, accounted for almost 10 points of the Footsie's rise at one stage. Lloyds TSB rose 12 to 578p, Abbey National 2 to 848%p

and NatWest 121/2 to 7631/2p. Meanwhile, comfortable figures from the Royal Bank's Direct Line insurance arm helped insurers.

Legal & General led the sector higher, gaining 16 to 454%p. Prudential and Royal & Sun Alliance also scored intra day records. Prudential closed 11 up at 633p, while Royal & Sun added 7 to 508%p. General Accident firmed 11 to 927%p.

Analysts downgraded profit expectations at Dalgety after the food manufacturing group warned that second-half results will fall short of first-half figures.

The surprise announcement sent the shares tumbling 41% or 13.4 per cent to 269p, the sharpest decline in the FTSE 250. One analyst said: "It's one disaster after another at Dalgety these days.' Specialists now predict

full-year profits will be around £80m against previous forecasts in the £100m to It was also a poor day for

sugar producer Tate & Lyle, which reported first-half profits below market Profits, before exceptionals, fell from £168.2m to

£113.6m, below forecasts of

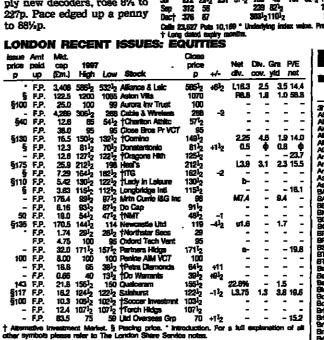
A positive trading statement from Booker, the food distribution and processing group, helped the shares recover from an early retreat. The shares fell to 302p in early trading following the publication of figures from Tate & Lyle. However, news at the group's annual meeting that overall group sales were up 38 per cent in the first four months of the

year helped the shares close 11 up at 3201/p. BSkyB rose 5% to 601p on

continuing support for its digital television venture. Amstrad, which along with Pace Microsystems has won part of the contract to supply new decoders, rose 8% to 227p. Pace edged up a penny

to 88½p.

M EURO STYLE FTSE 100 RIDEX OPTION (LIFFE) 210 per full index point



FTSE GOLD MINES INDEX

May % chg May Year Gross dir 6 on day 5 ago yield % Gold Mines Indies (St) 1524.57 +8.3 1519.29 2334.62 2.23

The shares fell 5½ to 48½p, with a steeper decline revented by the strong market trend. Volume at the lose was 2m.	Alrica (14) Austrikskis (6) North America) 2 (11) FTSE Interr	Basels US 0	+0.1 17 +0.3 14 mitted 19	97. Al d	5.58 1.20 ghts res	5.05 3.02 1.01 erved. 0 31/12/	19.32 58.91 Fatures	2844.1 2126.4 In brack	2 1724.86 4 1765.03 6 1335.84 ests show test prices	֡
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4.82 1.83 2.51 2.19 +0.2 2301.16 2295.52 2296.34 2221.50 +0.2 2302.07 2300.10 2301.61 2218.68 +0.3 2167.28 2142.25 2138.69 1870.23

	May 7	chge%	May 6	May 2	May 1	ago	ylekt%	COVE		ytd	Return
10 MINERAL EXTRACTION(20)	4197.00		4198.32	4098.37	4112.33	3415.57	3.63	2.02	17.08	70,49	1872.13
12 Extractive Industries(5)	4212.64			4212.42				2.38	14,03	104.80	1287.67
15 Oil, Integrated(3)	4340.28			4212.84				1.96			1988.64
16 Oil Exploration & Prod(12)	3438.87	<u>-0.5</u>	<u>3455.78</u>	3429.06	3430.04	2448.57	1.68	2.20	33.83	36.78	2106.19
20 GEN INDUSTRIALS(289)	1971,38	+0.2	1966.52	1956.61	1948.31	2125.79	4.06	1.91	16.17	29.57	1119.39
21 Building & Construction(35)	1392.34	+0.3	1387.98	1387.46	1383.58	1242.05	3.10	1.95			1208.87
22 Building Matis & Merchs(31)	1889.52	-0.6	1900.64	1892,97	1884.55	1958.33	4.25	2.78			991.89
23 Chemicals(26)	2299.89	+2.0	2254.70	2241.05	2244.10	2512.20	4.56	1.46			1135.45
24 Diversified Industrials(16)	1509.33	-0.1	1511.03	1488,48	1480,71	1777.20	4.81	1,97	13.19	33.05	891.98
25 Electronic & Elect Equip(38)	2127.03	+1.1	2104,69	2095.25	2098.63	2405.98	3.70	1.56	21,51	13,11	1136,49
26 Engineering(69)	2512.15	-0.3	2520.28	2508.31	2492 <i>.2</i> 7	2450.99	3.37	2.46			1573.20
27 Engineering, Vehicles(13)	2755.94			2758.10					ž	38.40	1475.24
28 Paper, Pckg & Printing(27)	2335.58			2329,14				1.87	14.90	41.86	1012.91
29 Textiles & Apparel(14)	1085.18	+0.7	1057.79	1062,42	1065.77	1423.12	6.61	0.96			691.91
30 CONSUMER GOODS(84)	4352.90	-0.3	4366.97	4326.52	4918.40	3453.59	3.48	1.82			1678.45
32 Alcoholic Beverages(7)	2966.87			2941.39				1.89			1123.25
33 Food Producers(25)	2905.39			2906.77				1.84			1371.26
34 Household Goods(17)	3013.02			2954.65				2.32			1238.56
36 Health Care(15)	2219.97			2220.73				1.63			1391.47
37 Pharmaceuticals(18)	7015.55			6976.74				1.72			2462.80
38 Tobacco(2)	4414.41			4345.50				1.87	10.88	147 SR	1175.06
40 SERVICES(271)	2676.96		_							_	
41 Distributore(30)	2734.15			2636.98 : 2707.45 :				1.96			1434.50
42 Leisure & Hotels(31)	3451.62			2707.45. 3381.46 .				1.94			1042.63
43 Media(44)	4361.10			4289.96 ·				1.77			1910.19
44 Retailers, Food(15)	2063.70			2024.54				1.97 2.22	28.26	55.29	1618.19
45 Retailers, General(53)	2110.02			2082.52							1358.95
47 Breweries, Pubs & Rest (22)	3327.58			3276.10				2.08			1241.50 1642.05
45 Support Services(54)	2937.50			2896.43							
49 Transport(22)	2788.30			2761.61				1.27			1909,80 1205,01
60 UTILITIES(31)							_	_			
	2765.72			2741.70				1.55			1262.27
62 Electricity(9) 64 Gas Distribution(2)	3006.75 1569.53			2951.50				2.18			1660.75
66 Telecommunications(8)	2323.06			1621.68							896.47
68 Water(12)	2532.15			2295.16 : 2511.88 :			3.64	1.74			1096.88
			_			_	5.88	<u>2.33</u>		_	<u>1464.52</u>
69 NON-FINANCIALS(675)	2200.46	<u>+0.1 :</u>	2197.18	2174,81	2174,06	<u>1995.63</u>	3.63	1.85	18.65	29.44	1738.75
70 Financials(106)	4198.80	+0.9	1159.09	4091,50	4068.38	2842.06	3,42	2.35	15.52	80.43	1890.97
71 Banks, Retail(8)	6231,23			5060.41 (3,22	2.66			2131.92
73 insurance(18)	1804.52			1777.90			4.78	2.30			1433.76
74 Life Assurance(7)	4981.76			4830.83			3.63	1.97			2176.04
77 Other Financial(29)	3227.54	+0.7	205.02	3171.48	3160.68	2654.07	3.23	1.94	19.98	36,34	1908.41
79 Property(44)	1965.02	+1,6	1934 <u>.97</u> 1	1 <u>921.87</u> ·	1922.60	1567.59	3.25	1.31	29.41	13.53	1251,07
BO INVESTMENT TRUSTS(127)	3345.72	<u>+0.</u> 13	3343.92	3303.09	3291.04	3210.99	2.19	1,14		_	1193.87
89 FTSE ALI-Share(908)	2173,90			2142.25	_		3.53	1.94			
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Tellahs 0.01 4 6743 204 195 194 -27 0.40 18 3333 17⁵8 17 17¹4 1.24 15 201 45¹2 41⁵8 44¹2 +¹2 3110349 50 48¹8 48⁷8 +¹8 024 13 z0 20% 20% 20% -4 4320652 4512 4212 4434 +114 Green AP 0.16 15 114 8½ 8 8½ +½ Greenmens 134 ½ 1½ ½ GTI Corp 827 5¼ 4% 5¼ +¾ 2583 17% 16% 174 +4 Bob Evans Boole & S 32 28 1077 143₈ 14 141₈ +1₈ 32 190 221₄ 215₈ 221₈ +3₈ 3052 71₆ 61₈ 61₈ -1₆ Tetra Tec 23 853 23¹4 23¹2 23¹2 Tetra Tec 23 853 22¹4 53¹2 53¹2 032 28 1077 1438 14 143 NPC tot 25\(\frac{1}{2}\) 25\(\frac{1}\) 25\(\frac{1}{2}\) 25\(\frac{1}{2}\) 25\(\frac{1}{2} GotAY Swg 0.20 22 2986 1918 1834 19 18 328 5 4 5 5 5 8 987 123 2 22 4 23 6 Boston Tc 58 201293, 293, 293, Brady# A 0.52 17 236 23¹4 22¹4 22¹4 - ⁵8 Gymborite 22 4561 27词 26号 27品 +鼠 BRC Ridge 22 33¹2 32¹2 33 SSB Bncp 1.00 11 29 30¹4 29¹2 30 -¹4 Suffets 1266 9₁½ 8⁵2 8⁷6 Suffets 2100 2¹2 2¹2 2¹2 -⁷5 Bur Brws 28 2969 26¹8 27¹2 26 -¹8 SudierRidg 0.48 10 20 33¹2 33¹2 33¹2 -¹8 Todd-AC 0.06 14 198 9 8¹2 8⁵8 Todgo Mar x0.26 21 290 x55²8 54²8 55 +²8 Yearly bights and lowe for MYSE reflect the pointed from Jun 1 1997.

Unions observing noted, cases of distinct are muscal distinct encodes based on the initial declaration, Salest Squares are usofficial.

G-new yearly low. PME price-parallegs ratio, the-delays, u-wave yearly high, x-ex-delations or ma-rights, yid-yield, x-casions in full.

Deminion emisperated. -0-19 644 at 5 14 4 14 4 + 4 1816433 18 12 17 4 18 + 18 | 18 | 153 | 184 | 184 | 184 | 184 | 145 | 146 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | 147 | FT Free Annual Reports Service
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Weakness in the dollar,

bonds and, later, in the Dow

persuaded most bourses that

order ahead of today's

Ascension Day holiday. FRANKFURT was led lower by its stock of the year,

Volkswagen, as the Dax

VW ended DM47 or 3.9 per

cent lower at DM1,147, but

the carmaker was coming

back after a 1997 gain of 88

DM1.80 or 2.6 per cent to

DM66.90 although it said

tion for families of Aids vic-

tims in the US, infected by

tainted blood products between 1978 and 1985,

would not affect profits since

the payouts were covered by

hansa rose another 49 pfg to

DM26.98 after the airline

posted its first ever fourth-

quarter profit, and forecast

higher returns in 1997. Veba,

too, climbed further, the

Carrefour and Saint

Gobain were bright spots.

The retail leader rallied

rance and provisions.

Among the winners, Luft-

that its DM460m compe

cent. Bayer dropped

index came back 11.07 to an

Ibis-indicated 3,587.45.

34

Falling bond prices helped to take the shine off US blue chips at midsession, and the market lost some of the gains made in recent recordbreaking sessions, writes Jane Martinson in New York,

The Dow Jones Industrial

Average fell 56.59 to 7.168.73

at 1mm in relatively active trading of 276.85m shares. Both bonds and US stocks started the day down in anticipation of an auction of

Mr Jeffrey Applegate, chief investment strategist of Lehman Brothers, said that there was no fundamental reason for the downturn. "The equity market is fairly

stretched in interest rate val-

uations compared to bonds,

so when bonds go down equities are likely to go down with them." he said. The Dow saw by far the greatest decline after achieving the strongest growth over the previous two days. Elsewhere, trading was more mixed. Traders were particu-

larly optimistic about the

technology-driven Nasdag composite index, which was up 2.92 at 1,331.22. Traders were hopeful that the index would lead others in a

The broader-based S&P composite index lost 3.28 at 824.48, while the Russell 2000, a smaller company index that has been moving up in the past two weeks also followed the larger

Blue chips were broadly lower with financials, retailers and consumer groups all The Walt Disney group was down \$1% or 1.4 per cent at 81%, while J.P. Morgan fell \$1% to \$103%.

Among Nasdaq stocks, yesterday's star performers, with a \$3% or 3.5 per cent rise to \$96%.

CNA Financial, traded on Amex, fell \$11/4 to \$1001/4 after the large general insurer disappointed the market with results that were significantly below that of

TORONTO drifted lower as sentiment continued to suffer from the backwash from the Bre-X Minerals scandal. At noon, the TSE-300 composite index was off 15.06 at 6.114.9Q

Gold leaders were a firm feature, with Barrick Gold adding 40 cents to C\$32.85 on what dealers described as a flight to quality among sector enthusiasts. But most big capitalisation stocks lost

Bre-X. which disintegrated on Tuesday when trading in the exploration group resumed, was little changed at 9 cents but again well dealt at 14m shares. SAO PAULO saw preferred

shares of Cia Vale do Rio Doce, the state mining paper and pulp conglomerate, drop 6.5 per cent at midsession on profit-taking amid some disappointment that the company's privatisation auction on

The shares fell R\$1.80 to energy-based combine gaining DM1.58 at DM94.45 fol-R\$26, and contributed to a fall of 76 in the Bovespa lowing Tuesday's better than expected first quarter. PARIS gave up early gains to close with the CAC 40 index off 8.62 at 2,643.31.

to best-ever levels. At the close, the all-share

Teiwan, China India

Thailand • Euro/Mid East

South Africa*

23.0 to 1.189.3. index was off 51.2 at 7,160.7, day with all sorts of nega-cents to R132.75.

Emerging markets: IFC weekly investable price indices

May 2 % Change % Change

1,072.11 518.87

815.71

244.B4

231.74

84.19

235.05

170.55

119.79

233.69

156.73

: 60.69 105.17

254.30

168.12

131.56

728.00

171.75

107.09

238.03

187.66

Karachi share prices rose 1.3 per cent

yesterday as investors responded to a series

of market-friendly measures announced by

the government on Tuesday, writes Farhan

The KSE-100 index closed up 19.81 at

1,561.12. Analysts said that the decision to

extend the exemption from the capital gains

tax on shares until 2001, well beyond its

original expiry date of next year, would

A turnover tax of 0.5 per cent was abol-

ished, while the government's decision to

exempt foreign investors from a 60 per cent

withholding tax on investments in bonds

"The encouragement to foreign investments coming into bonds means that the

private sector will now be able to tap in to

..431.19

..253.66 ..374.70

FT/S&P ACTUARIES WORLD INDICES

an additional source of credit. This will meet its external obligations.

207.17 181.29 204.87 198.70 186.20 145.45 184.36 164.31 221.88 184.17 219.42 214.83 228.82 198.49 224.30 490.66 178.96 156.90 178.96 197.22

2.0 334.09 282.37 390.39 329.28 1.8 240.72 210.68 238.05 289.31 -0.2 198.23 173.47 196.03 199.64 1.5 188.15 184.66 186.07 186.07

1.4 439.18 384.33 434.31 482.23 0.9 207.62 181.69 205.32 340.96 1.6 307.00 268.68 303.59 317.70 12 80.03 113.92 4.0 112.00 98.01 110.78 98.01 1.1 12.00 98.01 110.78 98.01 1.1 1238.77 1084.07 1225.04 11777.43 1.2 326.38 285.82 322.76 318.73 1.3 78.41 68.61 77.54 68.80 0.5 269.79 236.09 268.00 268.54 27 152.85 133.77 151.16 221.67 1.7 345.07 301.97 341.24 233.89 0.5 269.79 236.09 268.00 268.54 25.00 212.81 188.23 210.45 259.00 1.5 380.60 341.32 386.27 486.60 0.0 212.81 188.23 210.45 259.00 1.5 380.60 341.32 348.72 248.99 66.57 58.26 65.83 74.38 2.9 66.57 58.26 65.83 74.38 2.9 66.57 58.26 65.83 333.50 265.50 300.13 333.04 2.0 333.50 265.50 300.13 333.04 2.0 333.50 265.50 300.13 333.04 2.0 333.50 265.50 300.13 333.04 2.0 27.81

-0.3 277.38 242.74 274.30 257.81 1.3 229.78 201.08 227.23 235.98 1.5 339.42 297.03 335.86 373.29 3.2 128.86 112.79 127.46 111.17 2.1 170.96 148.81 168.07 158.31 -0.3 295.84 258.89 282.56 325.89 0.8 205.56 179.92 203.31 214.96 0.8 272.78 258.72 258.76 262.28 20 174.09 152.35 172.16 184.30 0.7 210.51 184.22 208.18 207.98 0.3 268.09 234.51 265.12 266.31

help to encourage long-term investors.

also helped to lift the market.

Figures in per-

reland (16).

Norld Ex. US (1824)...

95,19 -

1997 ... over week ... on Dec '96'

pushed down by clear tive talk about the bullion Kloof tumbled 55 cents to

Among industrials, South

price running around the R30.55.

more profit-taking was in FFr727 for a two-day decline of 5 per cent following a broker downgrade. Lagardère and Alcatel Alsthom, which formally lodged their bids for Thomson-CSF, were also weak. Lagardère came off FFr4 to FFr176 and Alcatel by FFr6 to FFr647.

> pushed Casino down FFr3.50 to FFr-272. Can Gemini fell FFr6.50 to FFr341.90 on disappointing sales.

> AMSTERDAM drifted lower in another session of very narrow trading. The AEX index ended down 5.77 at 775.99 with up to four points of the downturn possibly caused by constituent companies going dividend.

Financials were weak with chemicals to F1 379.50.

Stork finalised a big gas field renovation contract and added F12 at F184.40. MILAN's bout of profittaking left the real-time Mib-

tel index down 98 at 12,326. "market outperform" rat- agreement to set up a power

Securities' illegal trading

activities was digested.

Nomura added Y140 to

Y1,580, Nikko Y21 to Y750.

Yamaichi Y13 to Y365 and

retreated on profit-taking.

TDK fell Y50 to Y9,350,

Toyota Y90 to Y3,940 and

Bridgestone Y80 at Y2,860.

However, Sony added Y130

to Y9,630 after a record high

of Y9,670, Honda advanced

Y20 to Y4,100 and Matsush-

ita Electric Industrial added

a further Y30 to Y2,300 on its

announcement of its entry

into Britain's digital broad-

casting business.

Many blue-chip: issues

Daiwa Y20 to Y900.

ing from Goldman Sachs. An upbeat analysts' meeting left Saint Gobain FF17 better at

Bancaire fell FFr26 to

Among smaller capitalisa-

ING shedding Fl 1.60 to F1 77.70 and Fortis Amey Fl 1.60 to Fl 74.60. Unilever. which realised less than expected on the sale of its specialty operations, retreated F12.50

Edison fell L482 to L8,279 FFr34 to FFr8,722, helped by after Enl and Rnel reached

FTSE Actuaries Share Indices Open 10.30 11.00 12.00 13.00 14.00 15.00 Class FTSE Barotrack100 2287.94 2287.40 2280.52 2288.10 2288.54 2289.19 2289.17 2288.19 FTSE Barotrack200 2324.86 2334.21 2327.64 2331.09 2331.20 2330.90 2329.01 2326.20

May 6 May 2 May 1 Apr 30 Apr 29 2229.09 2224.77 2210.83 2284.94 2260.76 2251.85

generating venture. HPI was down another L36.7 at L843 as the stock continued to suffer from the failed merger with Marzotto, Mediobanca, which had brokered the deal, fell L89 to L10,287, while

Bourses fall back on profit-taking

Marzotto picked up L498 to Rinascente, planning a capi-tal increase, tumbled L772 to L8,586 following Tuesday's

deal with Auchan. Benetton collected L98 at 1.23,716 on its forecast of a 6 to 7 per cent sales increase

ZURICH erased some of Tuesday's losses as it headed back towards record territory and the SMI index recouped 27.6 at 5,016.0.

Nestlé, lower during the previous session after firstquarter sales figures failed to live up to some expectations, recouped SFr17 to SFr1.819 after presentations to analysts in Zurich and London had sought to paint a more positive outlook

Cyclicals found favour. SFr1,853, proving one of the that it would reduce staff

Olympus Optical gained ses

profits would surge 50 per

year to March. NTT, how-

ever, fell Y7,000 to Y990,000

after substantial gains in

In Osaka, the OSE average

fell 94.89 to 21,097.16 and vol-

ume surged to 87.9m shares.

50 index closed down 0.91 at

1,619.91

per cent.

In London, the ISE/Nikkei

BANGKOK took another

battering to close with the

SET index down 16.71 at

626.57, a two-day decline of 5

There was some patchy

cent in the current busin

day's best performers Analysts said that a

SFr165 rise in Roche certificates to SFr12,900 might have stemmed from derivatives-linked transactions ahead of tomorrow's dividend pay-out.

Ascom, the telecommuni-Ifil rose L30 to L5,203 but cations group, jumped SFr95 or 6.3 per cent as it announced details of the sale of its loss-making Nexion iness to a US subsidiary of Fujitsu.

Shares in the Swiss National Bank rediscovered the laws of gravity as investors apparently decided that the rumour-driven 248 per cent surge since the beginning of April had presented too good an opportunity to miss for profit-taking. The shares plunged SFr925 or 35 per cent to SFr1,730 although fewer than 3,000 shares.

Several bourses had individual hotshots. In MADRID, Argentaria recovered from underperformance, gaining Pta380m or 5.6 per cent at with ABB, up SFr29 to Pta7,120 after the bank said

Y40 to Y1,100 on reports that said mostly to be cutting Moslem holiday. By the

financial sector weightings

ahead of the compulsory dis-

closure of non-performing

assets from the end of next

MANILA paid for a two-day rise of more than 6

per cent, sliding sharply on

profit-taking to close with

the composite index off 82.13

or 3 per cent at 2,694.40.

PLDT fell 35 pesos to 745

pesos and Ayala Land ended

up 1.6 per cent as a combina-

tion of local funds and for-

eign program buying lifted

KUALA LUMPUR picked

off 1.25 pesos at 17.50.

Exterior unit. In BRUSSELS. Quick sizzled to a close of BFr1,965, up BFr90 on the day and by 12.8 per cent this week; on Monday BBL/ Vermeulen-Raemdonck, the broker, raised the hamburger chain from "sell"

ange rate

against DM

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ببندرج رسي

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2-6-43

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THE REPORT

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to "hold". VIENNA was enlivened by OMV, the energy and chemicals group, up Sch61.60 or 4.4 per cent at Sch1.448 after a healthy first quarter. HEL-SINKI featured TT Tieto, the data systems and software group, FM34 or 8 per cent higher at FM460 on firstquarter profits at the top end of analysts' forecasts.

COPENHAGEN had a mixed bag: Neurosearch put on DKr23 or 6.9 per cent to DKr354 after the blotech company announced first clinical trials, to be held in Britain, of NS 2710, a new anti-anxiety medication, but SAS, the airline group, dropped DKr3.90 to DKr66.10 SKr269m first-quarter loss

ISTANBUL added to Tuesday's 3 per cent recovery with a rise of another 3.1 per cent as liquidity improved volume remained tiny at the political worries that had put the market under pressure in previous sessions. The IMKB National-100 index jumped 45 to 1.478.

Written and edited by William

close, the composite index

stood 17.14 higher at 1.107.14.

cent, with investors troubled

by Tuesday's debt default by

Yu Sung, the textile group,

and reports that Hansol

Group companies had man

aged a Won7bn fund on

behalf of an associate of

President Kim Young-sam's

son. The composite index

Trading in Yu Sung was

suspended for the day while

the Hansol Group's flagship,

Hansol Paper, fell Won1,700

to its daily limit of

2 ° 2 °

첫723

12 mg

lost 12.47 at 689.10.

SEOUL tumbled 1.8 per

South Africa lower after shake-out

Shares in Johannesburg ran into profit-taking, reversing that had lifted the all-share index by nearly 140 points

weakness in both industri-Industrials fell 65.1 to 8.508.6 and golds tumbled

657,581.83

1,218,71

1.543.33

177.16

120.80 158.26

42B 19

105.02

567.62

218.81

improve corporate profitability," said one

Mr Sartaj Aziz, finance minister, said that

he hoped to finalise a new medium-term

loan agreement with the IMF by September.

Pakistan's efforts to seek a fund agreement,

which was expected to improve the coun-

try's chances of seeking fresh loans from

foreign commercial banks to fund its

dicted that Pakistan might default on its

foreign debt, the overwhelming opinion was

that the country would muddle through

with more borrowings. However, Mr Aziz

agreed that a strong recovery in exports

would be needed to trim the current

account deficit so that the country could

0.8 3.89
0.8 1.93
0.1 3.33
1.8 1.54
-0.8 1.99
1.4 1.54
1.1 1.58
-0.7 2.88
1.0 1.51
0.8 1.60
0.7 3.01
0.9 2.18
2.9 0.80
-0.3 1.23
0.7 2.48
1.5 4.24
0.1 2.12
2.7 0.84
1.8 1.11
0.2 2.37
-0.3 2.53
0.1 2.09
-0.7 1.32
-3.0 4.19
-0.3 1.61

-0.3 1.81 0.6 2.88 0.5 1.93 2.4 1.30 1.4 2.07 -0.3 1.82 0.2 2.10 0.9 2.81 1.3 2.06 0.4 1.75 0.1 2.17

The World Index (2476)......237.58 0.9 215.21 188.33 212.83 213.26 0.5 1.94 235.48 215.37 188.68 212.04 212.17 237.58 202.32 210.65

While some analysts, recently, had pre-

Many investors were closely monitoring

foreign banker in Karachi.

current account deficit.

.980.78

Golds had the worst of the African Breweries shed 25

May 2 % Change % Change 1997 overweek on Dec 98

:+2.1

+14.1

sent TAIPEI sharply higher. Turnover rose to what brokers described as a sizzlina T\$107bn as investors piled into electronics shares. The presidential call for

cabinet changes was interpreted by brokers as the first step in a crackdown on the crime wave which has undermined market sentiment in recent weeks. At the close the weighted index was 132.80 or 1.6 per cent higher at 8.427.07. United Micro and Talwan

more than 6 per cent, rising T\$4 to T\$70 and T\$6 to

TOKYO took profits after racking up substantial gains in its preceding five-day winning streak, writes Gwen

132.02 to 20,048.90 after moving between 19,952.10 and 20,237.32. There were growing concerns that stock prices had risen too rapidly, with the key index up more than 1,500 points in just five

ued to buy actively following New York's record high. Bargain-hunting by fund

Volume eased from 715m shares to an estimated 580m. Declines led advances 676 to 443, with 148 unchanged. The Topix index of all first-section stocks shed 8.61 to 1,500.52 and the capitalweighted Nikkei 300 was off 1.70 at 291.94.

nearly 1.5 per cent as the

305.17 307.47 294.35 342.70 386.17 336.17 254.79 261.54 361.71 208.35 342.95 276.56 294.71 208.95 276.56 294.71 208.95 276.86 294.71 208.95 276.86 294.71 208.95 276.86 294.71 208.95 277.88 126.00 110.46 124.14 108.55 173.51 127.18 173.51 184.75 188.98 148.03 168.56 158.14 191.51 173.55 187.33 27.96 292.70 292.55 295.06 327.02 327.69 248.65 255.43 225.17 205.94 180.41 202.75 214.26 226.96 185.65 189.34 288.72 273.21 239.35 266.96 256.88 320.85 266.97 291.77 183.42 172.33 150.97 169.66 182.22 193.47 176.94 188.37 230.58 270.98 184.83 207.72 207.07 232.39 199.55 208.73 295.06 256.85 286.41 265.86 286.13 295.56 233.70 236.76

Cabinet reshuffle sends Taipei higher

Plans for a cabinet reshuffle

Semiconductor both surged

The Nikkei 225 average fell

8 per cent since April 25. Foreign investors contin-

managers and continued steady buying by domestic pension funds were also noted, but a wave of profittaking by domestic institutional investors brought the Nikkei back shortly before

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bargain-hunting late in the blue chips above the 1,100

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